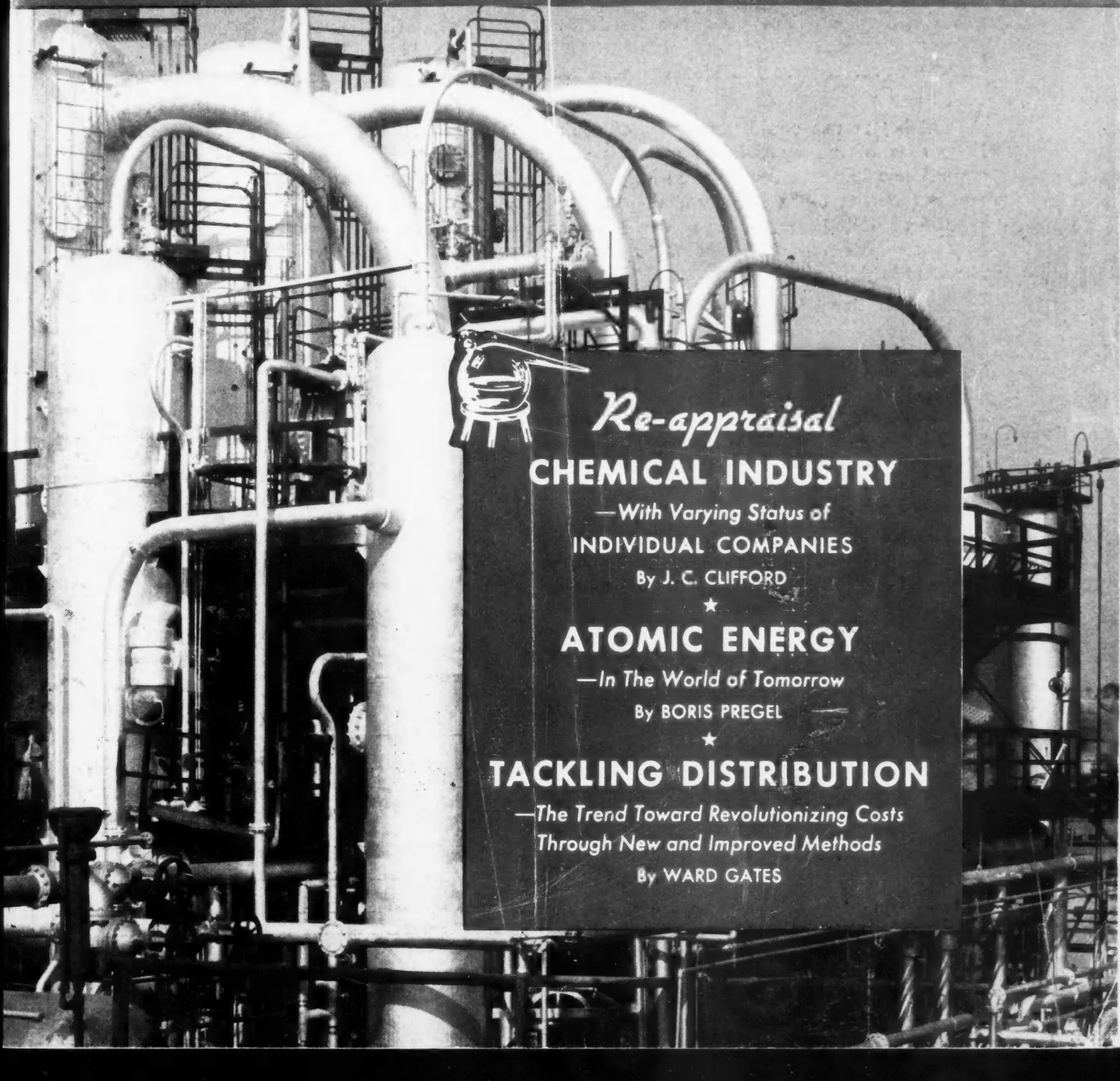
★ IS MARKET NEAR TURNING POINT? ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

APRIL 12, 1947 50 CENTS



Re-appraisal

CHEMICAL INDUSTRY

—With Varying Status of

INDIVIDUAL COMPANIES

By J. C. CLIFFORD

★

ATOMIC ENERGY

—In The World of Tomorrow

By BORIS PREGEL

★

TACKLING DISTRIBUTION

—The Trend Toward Revolutionizing Costs Through New and Improved Methods

By WARD GATES

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 80, No. 1 — April 12, 1947

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly; The Investors Guide, Adjustable Stock Ratings, issued monthly; and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Cover Photo by Shell Oil Co.

SUBSCRIPTION PRICE—$10.00 a year in advance in the United States and its possessions and Pan-America. Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full new address in full and get notice to us three weeks before you desire magazine sent to your new address.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London, E C. 4 England.

Cable Address—Tickerpub

COLUMBIA GAS SYSTEM in 1946

From the Annual Report of Columbia Gas & Electric Corporation

Columbia Gas System is now engaged principally in producing, purchasing, transporting and selling gas. During 1946, Columbia Gas & Electric Corporation complied with the Securities and Exchange Commission's order for geographic integration. This included the sale of its interest in The Dayton Power and Light Company and The Cincinnati Gas & Electric Company.

Columbia Gas System now consists of the parent Corporation, Columbia Engineering Corporation, the subsidiary service company, and nineteen subsidiary operating companies constituting a completely integrated system.

The System supplies directly or indirectly, about 1,500,000 residential, commercial and industrial customers in Kentucky, Maryland, New York, Ohio, Pennsylvania, Virginia, West Virginia and the District of Columbia.

During the year the Corporation redeemed its Bank loans, Debenture Bonds and Preferred and Preference Stocks and two new issues of Debentures were sold at lower interest rates. This refinancing leaves the Corporation with only one class of stock, subject to $97,500,000 of debt in short term serial Debentures and long term sinking fund debentures—a sound and conservative capital structure.

COLUMBIA GAS & ELECTRIC CORPORATION AND SUBSIDIARY COMPANIES
PRO FORMA CONSOLIDATED INCOME STATEMENTS

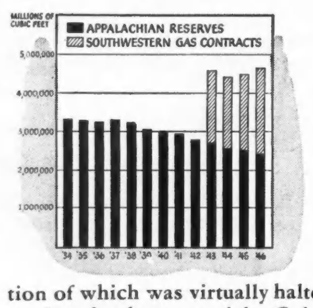
	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937
	$	$	$	$	$	$	$	$	$	$
Subsidiary Companies:										
Gross Revenues	95,070,481	86,917,688	83,329,353	87,880,149	81,217,593	75,025,186	73,223,570	65,698,462	61,101,352	68,834,327
Operating Expenses and Income Deductions	75,907,977	70,419,714	67,065,962	71,854,730	66,163,901	61,127,278	58,822,023	52,025,856	49,807,975	53,078,969
Balance Applicable to Corporation	19,162,504	16,497,974	16,263,391	16,025,419	15,053,692	13,897,908	14,401,547	13,672,606	11,293,377	15,755,358
Columbia Gas & Electric Corporation:										
Net Expenses	1,578,126	1,633,197	1,949,813	1,920,152	1,772,249	1,417,328	1,353,888	1,566,753	1,403,123	1,490,842
Balance Before Fixed Charges	17.584,378	14,864,777	14,313,578	14,105,267	13,281,443	12,480,580	13,047,659	12,105,853	9,890,254	14,264,516
Fixed Charges:										
Interest on Debentures	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875	2,796,875
Other Deductions	108,757	112,728	108,306	127,704	139,038	194,204	192,420	203,941	260,045	286,641
Total Fixed Charges	2,905,632	2,909,603	2,905,181	2,924,579	2,935,913	2,991,079	2,989,295	3,000,816	3,056,920	3,083,516
Consolidated Net Income*	14,678,746	11,955,174	11,408,397	11,180,688	10,345,530	9,489,501	10,058,364	9,105,037	6,833,334	11,181,000
Consolidated Net Income per Share of Common Stock Outstanding										
Before Provision for Retirement of Debentures*	1.20	.98	.93	.91	.85	.78	.82	.74	.56	.91
After Provision for Retirement of Debentures*	1.04	.81	.77	.75	.68	.61	.66	.58	.40	.75

The above statements are on a "pro forma" basis—that is, they have been restated as though the System during the periods covered had been the same as it is now.

These "pro forma" statements and figures exclude, for the entire periods covered, the operations of companies which have been divested and give effect to the refinancing which has been completed. Only on this "pro forma" basis can information concerning past periods be given which is in any sense applicable to the present System; however it must be remembered that the present System did not exist as such in these past periods and the pro forma figures are of necessity restated figures, adjusted to project a present situation into the past.

*The Indenture securing the Corporation's new Debentures requires the Corporation to make regular annual payments for the retirement of Debentures, ranging from $2,000,000 in the years 1947 through 1949 up to $3,700,000 in 1970. Although payments to retire debt are not, strictly speaking, charges against income, they must be taken into account in any realistic view of the balance of earnings which the Corporation will have available for Common Stock dividends. Accordingly, in the pro forma income statements for past periods, the net income per share of Common Stock has been shown both before and after deducting from net income an amount of $2,000,000 for debt retirement.

COLUMBIA'S GAS RESERVES

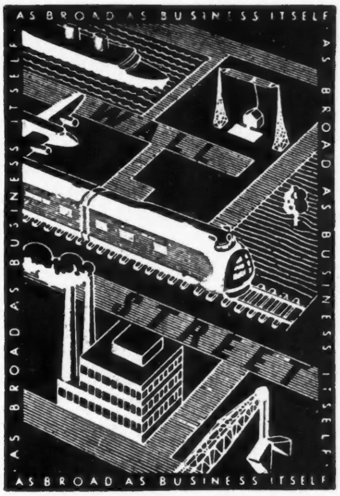


There is ample gas in Southwest fields which, with The System's Appalachian supply, is sufficient to service Columbia's customers for many years to come. All that is needed are new transmission facilities, construction of which was virtually halted by the shortage of steel and other materials. Columbia's gas reserves are currently estimated at 4,633,000,000 Mcf.

The information set forth here is not given in connection with any sale, offer or solicitation of an offer to buy any securities.

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher*



The Trend of Events

RAIL RATES: The current hearings before the Interstate Commerce Commission carry far more significance than appears on the surface. The apparent reluctance of this rate-making body to help many of the strongest carriers keep out of the red last year, by an adequate advance in freight and passenger charges, produced results highly discouraging to managements and investors alike. Reports reveal that heavy deficits incurred during the first quarter of 1947 are still piling trouble upon trouble for these same hard pressed railroads. As an experienced Board like the ICC must have known in advance that these difficulties would arise as a result of illiberal policies, it would be interesting to know upon what lines their reasoning is following, and just why so much delay is needed in adding up two and two. As with any business enterprise, revenues must be permitted on a scale sufficient to offset irreducible expenses, especially where, as in the case of the Pennsylvania Railroad, managerial efficiency has been demonstrated for a century past. While in the absence of reliable information, criticisms of the ICC should be withheld, it seems time that the public were apprised of the fundamental pattern which governs its decisions.

Quite naturally, some observers are wondering whether the Administration in Washington is still playing with the notion that, regardless of economic principles, essential services such as the railroads provide must be offered along lines sacrificial to private enterprise if necessary. Mr. Truman in his address to Congress claimed as one major objective the holding of transportation costs to the lowest possible levels. If he had added "consistent with a fair profit to the carriers" everyone would have applauded, but his omission of the phrase left his real meaning to anyone's guess. Fact is that all over the country political philosophy is struggling how to hide mounting costs under a bushel, when it comes to the question of transportation and other services, as always happens, striving to foster the "something for nothing" fallacy with the voters. Whether passengers paying only a nickle for a twenty-mile ride in a subway have to make up obvious deficits through indirect tax absorption is entirely glossed over. When a bus line throws up the sponge and the politicians take over, theorists displace the experts and the door opens to inefficiency and graft. Russia has solved the problem by charging no railroad rates at all, but using passes for tickets and forcing its slaves to offset operating costs by lower living standards. And in prewar France, all supplies for its nationalized railroads and steamship lines were bought from favored politicians. Such results would be abhorrent in America, but to check their appearance in the long run, simple economic facts must be faced and prompt relief afforded our proud transportation units.

ROUT OUT COMMUNISTS: President Truman's edict to clear out Communists and Pinks from all Government agencies displayed commendable courage and forward thinking on his part. Despite the hysterical reaction by the Communist Party in the public press to suggestions from other quarters that it be completely outlawed, signs are becoming clear

that the Reds and their friends are slated for more than one hot spot in the United States. Claims to free speech and the right within legal limits to attract fellow travelers to any brand of political philosophy are valid enough on their face. But where such activities are aimed at not merely bringing about a new economic set-up throughout the country, but to replace our freely elected Government by one directly under the thumb of the Kremlin, that is another matter. The time has arrived when opponents of prejudice must recognize its virtue when applied to evil, and join hands with the President in the local extermination of Communism wherever it raises its ugly head anywhere in the country. Currently, some outstanding labor leaders are taking steps to purge their ranks of the termite reds. Mr. Curran of the NMU, for example, has warned his 80,000 union members that of 500 communists in their organization 107 have already captured about 60% of the key posts. The AF of L, too, is emphatic in its repudiation of red infiltration. And unless the CIO soon takes similar steps, it is likely to disintegrate as the country's crusade progresses. Now comes the question of whether industry itself should not be encouraged to deny employment to all foreign stooges whose sly aim is to bite the hand that feeds them. As just this thinking has motivated the President at the Federal level, why should it not be equally rational at the level of management? Red cohorts have been convicted by the FBI and by public opinion as the Number One Enemies in our midst; all who favor appeasement are either timid, tarred by the same brush, or asleep. Certain it is that if our present laws prohibit industrial discrimination against the worst stripe of criminals when it comes to employment, Congress should take proper corrective steps now.

SAVINGS TRENDS: According to the Securities and Exchange Commission, a sharp downtrend in individual savings was a feature of 1946. Total accumulations of $15.8 billion were less than half the amount saved during the previous year and the lowest since 1941. A couple of months or so ago, Washington saw this handwriting upon the wall and called public attention to its possibly adverse effects upon the economy. Thought was that by shrinking to prewar amounts, savings could no longer be counted upon to supplement the balance of disposable income enough to keep purchasing power at desirably high levels. But economists have long differed as to importance of savings in stabilizing prosperity. In war years supply of goods was scant and prices lower so more disposable income went into time deposits and insurance premiums. In the turbulent strike wave of last spring, many people had to draw heavily upon their liquid resources, as was also necessary when the cost of living began to impinge upon incomes later in the year. Until a recession in prices occurs, many individuals may have to continue this process of drawing upon capital funds occasionally, but on the other hand others arriving in the thrifty class should substantially tend to create a balance. In any event as long as the people as a whole can tuck away more than $12 billion cash in the banks, additionally buying $1 billion Government bonds, nearly half of them with incomes under $5,000 per year, there seem to be few grounds for worry as to the health of the situation. As hinted previously, some financial experts hold that money should be spent for more goods rather than be hoarded away. Claims such as this have a measure of soundness in some respects, although they might seem more valid in depression periods rather than in boom times. In any event, signs are that the banks are attemping to stem the downward trend in savings by offering higher interest rates to their depositors, a move that is likely to gain momentum for several years to come. Time deposits are a valuable asset for the banks because the low rate of turnover brings a saving to the institution, too, in its operating costs. But ability and willingness to save depend less upon interest rates than upon personal living standards and sums available to achieve them. Hence a decline in the percentage of disposable income allotted to thrift in the family budget could be a cause for less concern than casual thinking might suggest. Finally, as long as disposable income in terms of dollars continues its current upward trend, the share for savings by the same yardstick is not likely to decline much further. To the contrary, it may well rise again from now on. As a matter of fact, the $15.8 billion saved last year was about twice the totals accumulated during 1939 and 1940 although in all three instances it represented about the same percentage of disposable income, or around 8%.

LOWER PRICES: All during the period price controls business leaders clamored for a chance to fight inflation on the grounds the competition and self restraint would turn the trick better than OPA. With full allowance for uncertainties as to wages and taxes, not to mention actually mounting costs, it seems very clear that numerous manufacturers have deliberately chosen to place profits first and the welfare of the economy last. This is not only an open invitation to inflation, but paves the way for labor to acclaim economists like Robert Nathan and to shout "We told you so." Under the Fair Trade Act, many distributors are precluded from shaving retail prices, hence the burden rests largely upon the manufacturers. Where they are making large profits, they must take steps at once to share them with the consumer, or run the risk of causing serious trouble ahead. How constructive this idea seems to stockholders is shown by a rise of six points in the price of International Harvester shares following its $20 million cut in prices. All considered, it seems only sensible for prosperous concerns to take a chance with reduced prices, even though they have to be raised again later on.

As I See It! By CHARLES BENEDICT

IN SUPPORT OF FREE ENTERPRISE

FREE ENTERPRISE is not on trial as leftist propagandists would like to have us believe. This charge does not stand up under analysis. On the contrary, free enterprise, without question, has proven itself to be a great success. As practised in the United States, its limitless opportunity for the individual has been the inspiration to progress and accomplishment. The practical test of its success in our country is demonstrated by the fact that the average man enjoys the highest standard of living in the history of the world.

Of course there are weaknesses in free enterprise — but they are the weaknesses of greed and ambition — human weaknesses. And in functioning, it is affected too by the faults inherent in democracy itself which in turn depends on human behavior for its ideal state. But that is true of all systems of government.

Free enterprise is a natural expression of human activity. It succeeds because it relies on individual initiative, personal interest and responsibility in its undertakings. Nationalistic planning by government, on the other hand, has been a failure wherever it has been tried because it concentrates on political force and as a result, fails to solve the economic problems of the people regardless of the number of four or five year plans put into operation.

Politics and economics do not mix well. Thus, when we hear the Russian boast that there is greater order in territories under their control, they mean of course that communism has been established there. But—to what avail, if their efforts always result in economic disintegration—trade becomes stagnant—goods are not produced, and the people continue to live on charity?

This is true not only in the countries occupied by Russia but in Russia itself where the standard of living is and has been sub-normal ever since the communists came into power. Compare this with the fact that there was no starvation in Russia under the despotic Czars who left economic planning in the hands of free enterprise.

It is clear, therefore, that under these circumstances free enterprise is not on trial, but that an inferior system is seeking to establish itself despite its illogical and unsuitable status as a method of bringing happiness and prosperity to the average man.

There is indeed no logic at all to Russia's entire position — and yet they seek to extend their sway and expand their enervating practices all over the globe. Their success would affect us seriously as it would stifle and destroy avenues of trade on which we will depend more and more to keep our factories busy and our people fully employed.

NOT VERY NOURISHING

Shoemaker in The Passaic Herald News

It is recognition of this truth that has brought about a firming of our foreign policy, one which we must respect and support fully if we are to emerge victorious from this life and death struggle between free enterprise and the Soviet system of nationalistic, bureaucratic control. We cannot any longer retire to this hemisphere, secure in our isolationism, for the world is already in our backyard. And on our doorstep lies the infant Atomic Age, with its vast possibilities for solving the material problems of mankind.

Therefore, our aim must be to keep open the lanes of trade and commerce and extend to the rest of the world the advantages of free enterprise. Only a general exchange of goods among nations can bring peace, harmony and progress.

Thus it is the business man rather than the politician who creates friendship between nations, for he brings good will and understanding in his acceptance and appreciation of the talents and genius of the people of other lands.

Is Market Near Turning Point ?

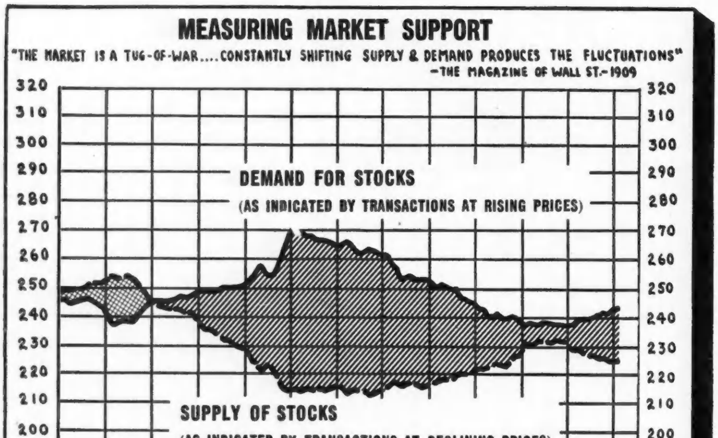
It remains an indecisive, trading-range market. The big question is whether economic recession, now probably near, has been fully discounted. Only clear-cut market action in the period ahead can answer it. There is no change in our middle road policy, which calls for holding partially-invested positions, along with conservative reserves.

By A. T. MILLER

DURING THE PAST FORTNIGHT the market first advanced a little and then declined a little, with generally light volume both ways, leaving the daily average just about where they stood when our last previous analysis was written. Some observers are strongly bullish, and urging investors to buy stocks. Some are bearish, and advising that stock holdings should be reduced. But the actual market performance to date gives neither school of thought anything to cheer about. The limit upturns are disappointing to the bulls. The small and lethargic dips leave the avowed bears dangling on a limb.

While the debate rages and brokers try to stir up some action, the general investing public is doing nothing of any real significance either way, and mostly sitting tight. It can be summed up by saying that the typical investor is not scared enough to want to sell stocks, not confident enough to want to buy. This could continue for some time, although it does not preclude trading-range moves wider than those seen in recent weeks. It could continue until there is a considerably more definite crystalization of sentiment on the implications of the widely advertised economic recession than exists today.

Is it surely coming before long? Probably most people believe so by now. Will it be pretty moderate? On this the consensus is affirmative. Has it been wholly or largely discounted by stock prices already? That remains to be seen. A plausible theory can be built up either way, but bears are likely to seize on any seasonal slump to emphasize recession. Actually, only the market itself can provide a factual answer, which is the only kind of answer that counts in the case of this key question. It will not fail to do so in due time. But no answer can be read into its indecisive performance so far in this year 1947.

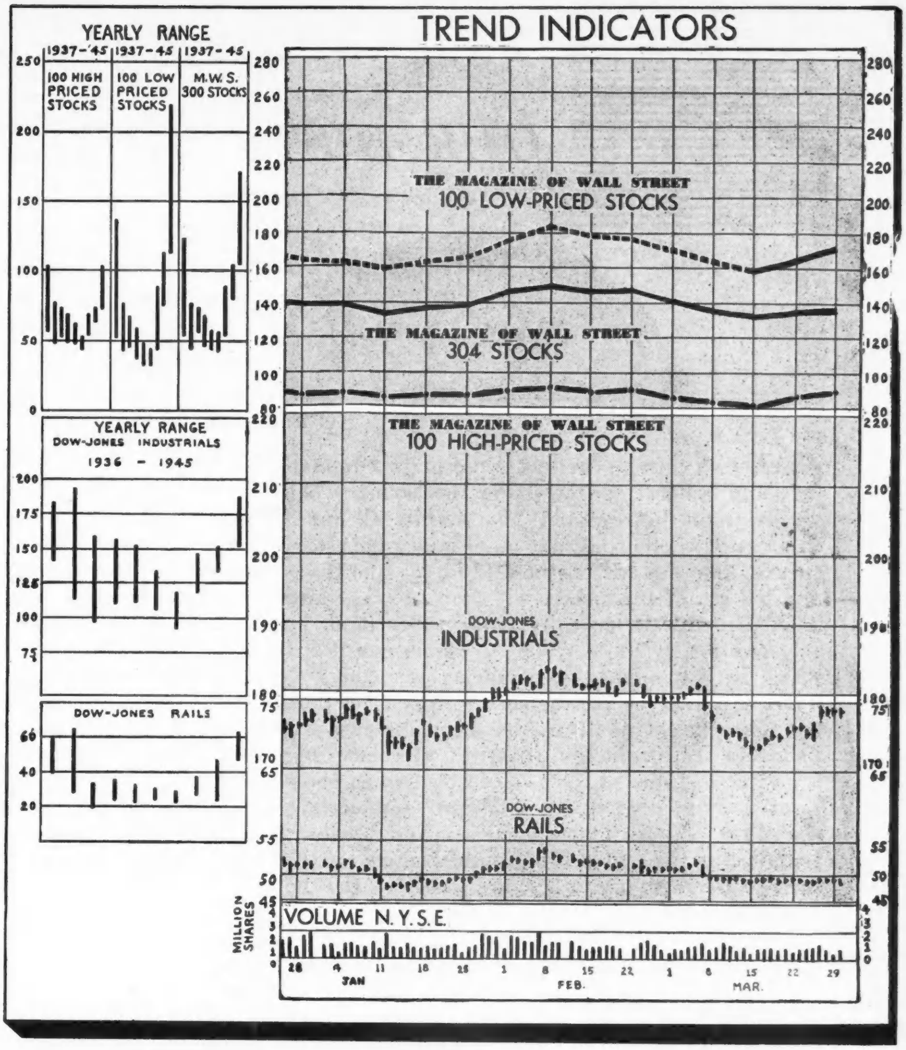


Positive Indications Still Absent

While awaiting definite trend indications, the significant reference points to keep in mind, in terms of the Dow daily averages are the following: For industrials, the bear-market closing low of 163.12 recorded last October 9; the February 8 recovery high of 184.49 and the March 15 reaction low of 172.37. For the railroad average the comparable points are 44.69, 53.42 and 49.24. As we write, these averages are, from a technical viewpoint, in a kind of "no-man's land". They are above the support level represented by the mid-March lows, below the resistance level represented by the February recovery highs. But they are nearer the former than the latter, and particularly so in the case of the rails.

The range in question is so narrow

that it would take no great shift in the relation between the demand for stocks and the supply for sale to tip the balance. The bull-market theory, which is held by some, requires a rise above the February highs by both averages. On fundamental grounds, it is not easy to imagine that the rails will make it, and their current technical action, because of limited ability to pull away from the March low, certainly does nothing to weaken this doubt. However, divergent rail action, even should it prove of eventual major-trend significance, would not necessarily preclude an extension of the intermediate recovery phase in industrials.



So far as the downside is concerned, a decisive violation of the mid-March lows by both averages would put a very considerable damper on the bull case and result in a substantial liquidation of speculative positions taken on in recent months and especially in recent weeks under the advocacy of certain large brokerage concerns. That kind of sell-off might well take the averages low enough to constitute a test of the bear-market bottoms to date. It would take more than professional operations and trader-type selling, however, to break the latter. It would require a shift of general investment opinion toward the conclusion that the adverse implications of the indicated readjustment in commodity prices, production and corporate earnings had not been adequately discounted.

For the present at least, our own indicators throw no more light on nearby trend potentials than does the action of the daily averages. Recent changes in both the High-Price and Low-Price indexes have been small. The Market Support Indicator still shows presumptively clear weather in the sense that buying-point evidence provided last January has yet to be reversed. It is, of course, possible for change in the present margin of support to develop, either way, fairly rapidly. Readers will notice that some adjustments have been made in the Market Support Chart as we are constantly endeavoring to make it as accurate a reflection of supply and demand as possible.

The consensus is that the decline in prices and production will be relatively moderate. That is probably correct. But a drop of, say, 10%-15% in production, plus 10%-15% in prices, could reduce earnings sharply on many companies—not all, by any means—and put some in the red. It was a fairly moderate drop in output and prices during the second half of 1937, but the bottom fell out of that year's fourth-quarter earnings. Whether this aspect of a recession has been fully discounted, market action alone will reveal—probably before many more weeks have passed.

A number of stocks, usually aided by good earnings or dividend news, have been making new highs. But at least equally as many, usually affected by individual "recession news," have been making new lows. Clearly these stocks had not discounted the recession—and recession-news will become more general. This raises a question, for the present stock-market public has demonstrated a general tendency to sell "after the news," not before it. Those who have followed our advices are partially and selectively invested, but hold conservative reserves. We continue to stand on that policy.—Monday, April 7.

Tackling . . . .

OUR DISTRIBUTION PROBLEM

★ ★ ★

The Trend Toward Revolutionizing Distribution Costs Through New and Improved Methods

By W. C. HANSON

Our chances of maintaining mass employment and general prosperity in this country depend vitally upon distribution. For despite all our huge production potentials and well-laid plans for the future, unless goods can be sold in volume, the long-awaited era of prosperity will prove to be a mirage. This principle is basically true in any land, but it is preeminently the case of our American economy, which is built upon a mass market.

Distribution is the central function of business management. Unless an organization can sell its products at a profit, its bankruptcy becomes merely a matter of time, regardless of how skilled the company may be in production, design, engineering and the other phases of management. And because distribution is the prime function of business, it necessarily affects many other decisions at the policy level: advertising, purchasing, inventory controls, pricing, cost analysis, transportation, plant locations, stockholder goodwill and worker cooperation. And, of course, it very directly affects employment, for jobs are built upon markets, whether in an individual company or for a nation as a whole.

For many years our marketing technique had lagged far behind our production technology, but with the advent of the war and its attendant problems, management has perceived the need for adjusting distribution to the new order of things.

TREND OF AMERICAN DISTRIBUTION
1929 - 1946
(Data in Billions of Dollars)

	National Income	Wholesale Sales	Retail Sales
1929	83.3	66.9	48.5
1933	42.3	30.0	24.5
1936	64.9	51.8	38.3
1937	71.5	56.6	42.1
1938	64.2	50.5	38.1
1939	70.8	55.3	42.0
1940	77.6	61.8	46.4
1941	96.9	83.6	55.5
1942	122.2	93.2	57.6
1943	149.4	99.3	63.7
1944	160.7	103.4	69.5
1945	161.0	105.4	74.6
1946	166.0	......	96.7

Perceiving that "buyers' markets" and keener competition would inevitably follow the war, business executives centered their "postwar planning" around the new trends in marketing.

Thus, if one could take a panoramic view of American business today, revolutionary marketing changes would be seen all along the line. It is no exaggeration to describe this era as the age of "marketing revolution" just as there was a period of "industrial revolution" generations ago. With far-reaching changes taking place in our national market structure, management has been forced to make corresponding shifts in order to keep pace with the times. Some of the major administrative changes will be discussed further along in this article, but first let's take a look at some of the fundamental trends and innovations in our American economic pattern today.

We must first of all realize that the "American miracle" could never have happened without that all-important ingredient—a favorable business climate which we call "free enterprise." Even our great resources and natural endowments could never have been utilized without economic freedom and profit incentives. Thus, our political freedoms were early reflected in our economic liberty with the result that we have attained a standard of living without precedent or parallel in human history.

Our freedom of trade has also resulted in a national marketing talent—the natural heritage of the early "Yankee" traders whose business acumen is proverbial to this day. Favored by great national resources, fine harbors and a growing population, and, above all, economic liberty, our economy has grown by leaps and bounds, and is still expanding. This continuing growth in our business structure is the most important fact facing marketing management today.

In 1929, our national income had reached the then amazing peak of some 83 billion dollars. But in 1946, our total income had hit a new record of some 166 billions of dollars, or just about double the 1929 record. Looking ahead into the more remote future a national income of 200 billion is a distinct probability. How this growth in our economy affected our volume of trade can be seen in the accompanying table of retail and wholesale business since 1929.

Moreover, both our population and its basic buying power are increasing. We have some 11 million more persons on the employment rolls of the country since 1929, and, since the war we have increased our population by some 4 million new family units. Still more significant is the fact that we have some 24 million "consumer spending units" (that is, families and single individuals) with annual incomes of $2,000 or more, or roughly four times the number in this income group in 1935-1936. All of which means that millions of new consumers have acquired tastes for many items previously considered luxuries. Granted that many of such families will face lower incomes in the next year or two, a certain number nevertheless will be able to retain their higher living standards, with inevitable results upon our national business pattern.

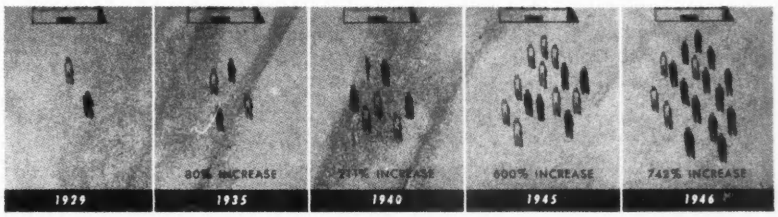
With these thoughts in mind, it is interesting to look about and note some of the dynamic changes taking place in our marketing machinery. Within the span of just a few brief years, we have seen the rise of such innovations as "supermarkets," handling tremendous volumes of merchandise, the metamorphosis of the former "5 and 10s" into veritable department stores carrying $5 merchandise and higher, and the evolution of the American drug stores from the old time apothecary shop (with traditional colored water bottles and herbal paraphernalia) to high-powered merchandising chains whose pharmaceutical business has become a mere appendage to the more lucrative business of retailing home appliances, novels, ice cream, cigarettes, and a thousand other familiar items.

But these are not the only changes in our retailing system. Department stores have expanded their operations to a point where you can now buy an airplane, a yacht or a ready-built home simply by visiting the leading department store in many large cities. Meanwhile, mail order and chain distributors have mushroomed to tremendous proportions, handling about every conceivable form of merchandise and overlooking not the slightest detail in the race to boost sales and raise profits.

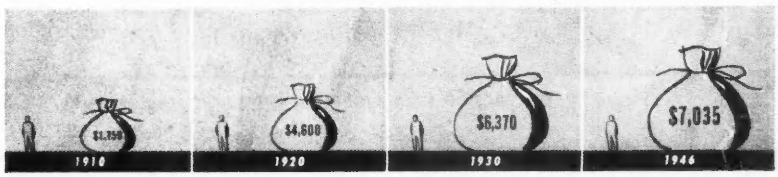
Meanwhile, a most significant change has been developing in the farm world—the rise of the co-operative. Few people outside the agricultural market realize the size and scope of these vast distributing systems, which, like the Grange League Federation sell vast quantities of merchandise of all kinds, from feed, fertilizer, and implements to washing machines, house-furnishings and home supplies.

The continuing growth of these various types of retail outlets—department stores, chains, supermarkets, variety stores, farm cooperatives—is having important repercussions in other phases of our economy. For example, it is changing the traditional relationship long existing among manufacturer, distributor and retailer. As the large retailers grow still larger, they tend increasingly to deal directly with the manufacturer, thus by-passing the middleman in many cases. Because they control the outlet for volume sales, such retail empires have, in fact, been able to dominate manufacturers in numerous instances.

SOME HIGHLIGHTS OF 1946 ABBOTT LABORATORIES REPORT

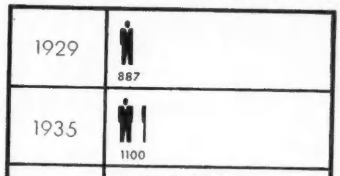


Growth in Number of Employees



Growth in Investment per Employee

INCREASE IN NUMBER OF STOCKHOLDERS



Nearly a Tenfold Growth

White Line shows growth in Stock Value allowing for Stock Splits and Stock Dividends

The 1946 annual report of Abbott Laboratories should be read by every executive as a splendid presentation of company activities, products, sales, worker and stockholder relationships. It is the type of sound information which should be publicized by every concern.

Tackling . . . .

OUR DISTRIBUTION PROBLEM

★ ★ ★

The Trend Toward Revolutionizing Distribution Costs Through New and Improved Methods

By W. C. HANSON

OUR CHANCES of maintaining mass employment and general prosperity in this country depend vitally upon distribution. For despite all our huge production potentials and well-laid plans for the future, unless goods can be sold in volume, the long-awaited era of prosperity will prove to be a mirage. This principle is basically true in any land, but it is preeminently the case of our American economy, which is built upon a mass market.

Distribution is the central function of business management. Unless an organization can sell its products at a profit, its bankruptcy becomes merely a matter of time, regardless of how skilled the company may be in production, design, engineering and the other phases of management. And because distribution is the prime function of business, it necessarily affects many other decisions at the policy level: advertising, purchasing, inventory controls, pricing, cost analysis, transportation, plant locations, stockholder goodwill and worker cooperation. And, of course, it very directly affects employment, for jobs are built upon markets, whether in an individual company or for a nation as a whole.

For many years our marketing technique had lagged far behind our production technology, but with the advent of the war and its attendant problems, management has perceived the need for adjusting distribution to the new order of things.

TREND OF AMERICAN DISTRIBUTION 1929 - 1946

(Data in Billions of Dollars)

	National Income	Wholesale Sales	Retail Sales
1929	83.3	66.9	48.5
1933	42.3	30.0	24.5
1936	64.9	51.8	38.3
1937	71.5	56.6	42.1
1938	64.2	50.5	38.1
1939	70.8	55.3	42.0
1940	77.6	61.8	46.4
1941	96.9	83.6	55.5
1942	122.2	93.2	57.6
1943	149.4	99.3	63.7
1944	160.7	103.4	69.5
1945	161.0	105.4	74.6
1946	166.0	......	96.7

Perceiving that "buyers' markets" and keener competition would inevitably follow the war, business executives centered their "postwar planning" around the new trends in marketing.

Thus, if one could take a panoramic view of American business today, revolutionary marketing changes would be seen all along the line. It is no exaggeration to describe this era as the age of "marketing revolution" just as there was a period of "industrial revolution" generations ago. With far-reaching changes taking place in our national market structure, management has been forced to make corresponding shifts in order to keep pace with the times. Some of the major administrative changes will be discussed further along in this article, but first let's take a look at some of the fundamental trends and innovations in our American economic pattern today.

We must first of all realize that the "American miracle" could never have happened without that all-important ingredient—a favorable business climate which we call "free enterprise." Even our great resources and natural endowments could never have been utilized without economic freedom and profit incentives. Thus, our political freedoms were early reflected in our economic liberty with the result that we have attained a standard of living without precedent or parallel in human history.

Our freedom of trade has also resulted in a national marketing talent—the natural heritage of the early "Yankee" traders whose business acumen is proverbial to this day. Favored by great national resources, fine harbors and a growing population, and, above all, economic liberty, our economy has grown by leaps and bounds, and is still expanding. This continuing growth in our business structure is the most important fact facing marketing management today.

In 1929, our national income had reached the then amazing peak of some 83 billion dollars. But in 1946, our total income had hit a new record of some 166 billions of dollars, or just about double the 1929 record. Looking ahead into the more remote future a national income of 200 billion is a distinct probability. How this growth in our economy affected our volume of trade can be seen in the accompanying table of retail and wholesale business since 1929.

Moreover, both our population and its basic buying power are increasing. We have some 11 million more persons on the employment rolls of the country since 1929, and, since the war we have increased our population by some 4 million new family units. Still more significant is the fact that we have some 24 million "consumer spending units" (that is, families and single individuals) with annual incomes of $2,000 or more, or roughly four times the number in this income group in 1935-1936. All of which means that millions of new consumers have acquired tastes for many items previously considered luxuries. Granted that many of such families will face lower incomes in the next year or two, a certain number nevertheless will be able to retain their higher living standards, with inevitable results upon our national business pattern.

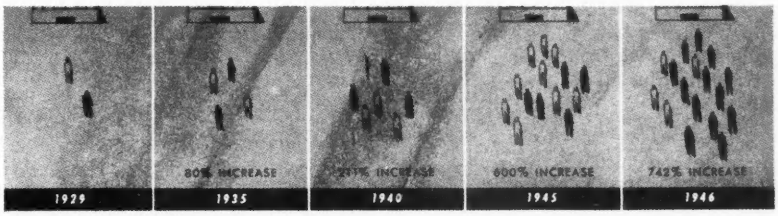
With these thoughts in mind, it is interesting to look about and note some of the dynamic changes taking place in our marketing machinery. Within the span of just a few brief years, we have seen the rise of such innovations as "supermarkets," handling tremendous volumes of merchandise, the metamorphosis of the former "5 and 10s" into veritable department stores carrying $5 merchandise and higher, and the evolution of the American drug stores from the old time apothecary shop (with traditional colored water bottles and herbal paraphernalia) to high-powered merchandising chains whose pharmaceutical business has become a mere appendage to the more lucrative business of retailing home appliances, novels, ice cream, cigarettes, and a thousand other familiar items.

But these are not the only changes in our retailing system. Department stores have expanded their operations to a point where you can now buy an airplane, a yacht or a ready-built home simply by visiting the leading department store in many large cities. Meanwhile, mail order and chain distributors have mushroomed to tremendous proportions, handling about every conceivable form of merchandise and overlooking not the slightest detail in the race to boost sales and raise profits.

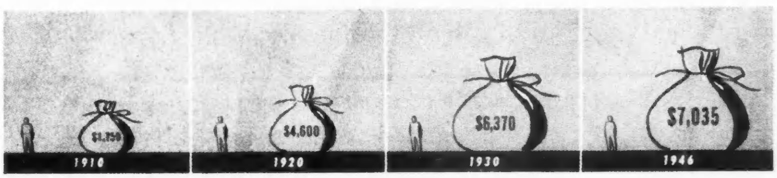
Meanwhile, a most significant change has been developing in the farm world—the rise of the cooperative. Few people outside the agricultural market realize the size and scope of these vast distributing systems, which, like the Grange League Federation sell vast quantities of merchandise of all kinds, from feed, fertilizer, and implements to washing machines, house-furnishings and home supplies.

The continuing growth of these various types of retail outlets—department stores, chains, supermarkets, variety stores, farm cooperatives—is having important repercussions in other phases of our economy. For example, it is changing the traditional relationship long existing among manufacturer, distributor and retailer. As the large retailers grow still larger, they tend increasingly to deal directly with the manufacturer, thus by-passing the middleman in many cases. Because they control the outlet for volume sales, such retail empires have, in fact, been able to dominate manufacturers in numerous instances.

SOME HIGHLIGHTS OF 1946 ABBOTT LABORATORIES REPORT

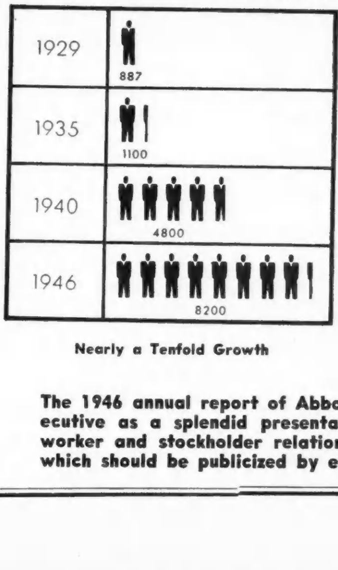


Growth in Number of Employees

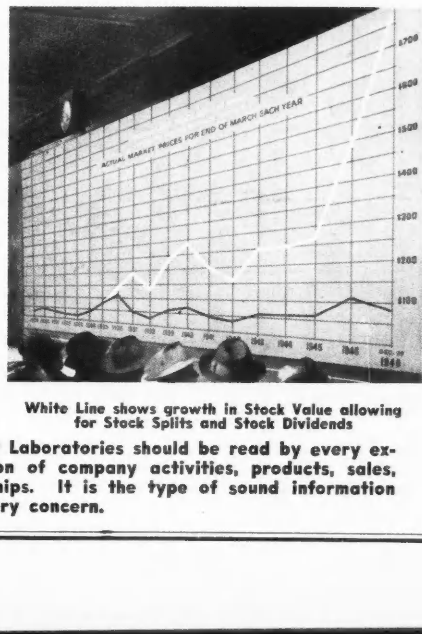


Growth in Investment per Employee

INCREASE IN NUMBER OF STOCKHOLDERS



Nearly a Tenfold Growth



White Line shows growth in Stock Value allowing for Stock Splits and Stock Dividends

The 1946 annual report of Abbott Laboratories should be read by every executive as a splendid presentation of company activities, products, sales, worker and stockholder relationships. It is the type of sound information which should be publicized by every concern.

Some large retail systems have acquired their own manufacturing facilities, Rexall Stores being a notable example. Conversely, certain manufacturers have set up their own retail store systems, two outstanding cases being Firestone and Goodyear. More examples of each type of integration are likely to be seen in the years ahead.

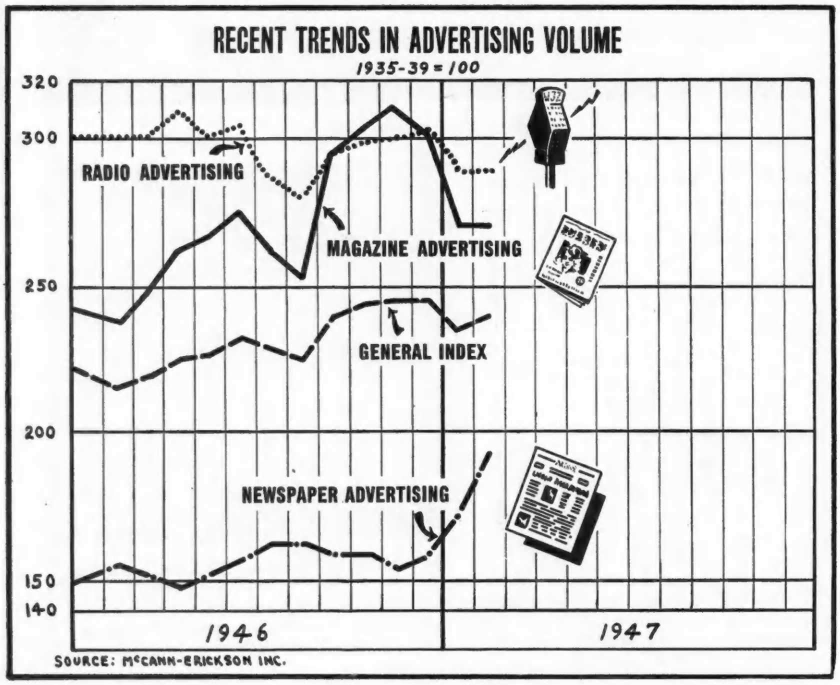
But not all the distribution changes are confined merely to the retail field. Actually, a great many noteworthy trends are occurring in other phases of our marketing machinery, which will leave their impress upon our economic future. Some of the more significant of such changes are summarized herewith.

1. More Efficient Advertising Advertising, the sparkplug of modern marketing, is undergoing radical changes. There is a definite trend away from wasteful duplication of sales messages and indiscriminate use of mass media—especially for the numerous products and services where the most important decisions are made by a select minority of executives and users who count most. National advertisers are using their ad budgets with increasing discernment, and are choosing their media as well as their methods with greater discrimination. Ford, for example, spent $50,000 recently in what was believed to have been the largest and most complete media survey in the auto business, as a prelude to its $10,000,000 advertising campaign. The recent trend in advertising expenditures, charted in this article, suggests that other firms are reconsidering the productivity of their advertising dollar especially in relation to radio and magazine appropriations.

Though radio will always be an important advertising medium there is a trend toward more exacting standards in its utilization. Market testing, both quantitatively and qualitatively, as used by publications is being applied to radio audiences by such surveys as Hooper, Neilsen and Crossley.

Institutional advertising, which gained such impetus during the war, will doubtless play a more important role in the ad world henceforth. Recognition is being given the need for creating respect and appreciation not only on behalf of the individual company but also by industrial associations. Behind this realization is the necessity for proving the vital place of free enterprise and its capabilities for forward planning in a democracy, as contrasted to political planning by nationalistic governments.

One field of productive advertising and publicity which has not been scientifically cultivated is the building of stockholder goodwill. There are between fifteen and twenty million shareholders in the United States. It would be a great boost to business if they were all aggressive champions of the corporations of which their investments make them part owners. Instead, surveys have shown that many security owners are highly critical of their own companies. In this connection, every executive should read the 1946 annual report of Abbott Laboratories, just out. Colorful, beautifully planned, it is easy to read informatively. It shows foresighted management in considering every essential factor of company relationship to customers, workers, stockholders—and the increasing company investment and participation in our expanding economy. Of course, there are many other splendid annual reports being issued, but we have considered it worthwhile to reproduce a few items from the Abbott report in this article. Stockholders goodwill is particularly desirable today when so many companies are undertaking refinancing and are going to seek new capital for expansion as it can mean the ability to get these funds at a lower rate. The standing of a company's stock is an influential competitive factor. The period of growth ahead, with atomic energy looming up, may dwarf even the opening of the west—and it will call for advertising, selling and publicity techniques just as far advanced as are our production methods in contrast with those times.



The mounting cost of advertising through all media and methods is one of the prime problems of the moment, and the accent now is on spreading the advertising dollar as far as it will go. Grandiose "Huckster" schemes without regard to economics and economy are out of joint with the times.

(*Please turn to page* 64)

CHEMICAL INDUSTRY

—Its Near and Longer Term Prospects

—With Timely Survey of Products

—Varying Status of Individual Companies.

By J C. CLIFFORD

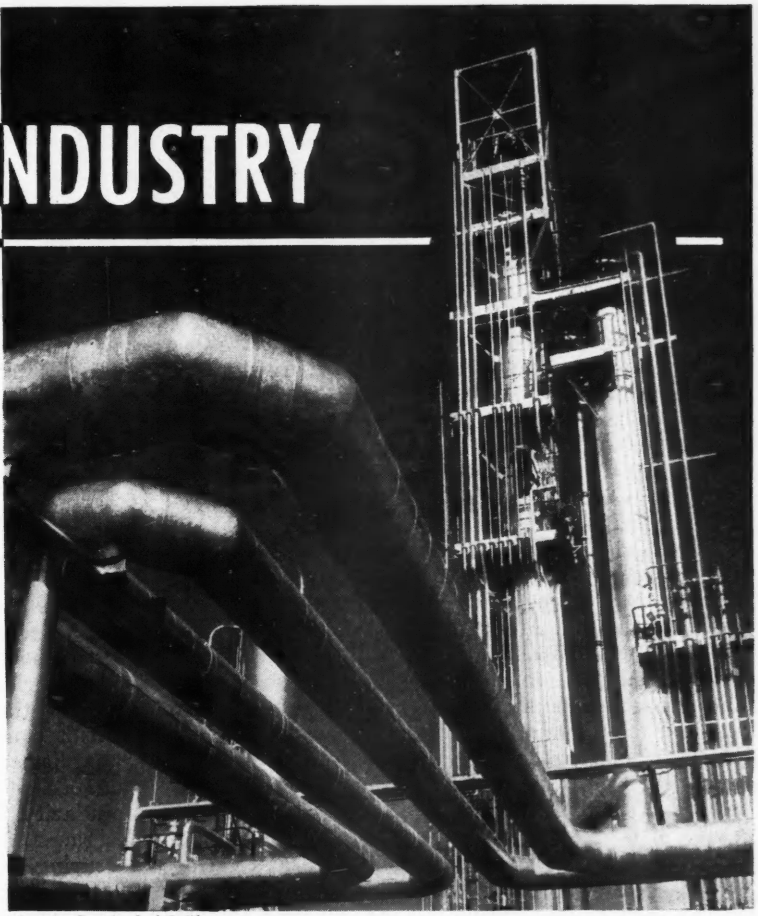


Photo by Standard of Calif.

The chemical companies face a period of vigorous demand from customers in every line of industry. When you consider the new products in development, it can be truthfully said that horizons for the future of the industry are virtually limitless

PRODUCERS of chemicals in 1946 broadly substantiated the predictions made by the Magazine of Wall Street a year ago. Our readers may recall that we foretold a marked reversal of volume and profits from a downtrend established in 1945. With very few exceptions, leaders in the industry raced ahead to push net earnings well up above the previous year, and generally topped averages for the past decade. In view of this excellent performance, our Common Stock Index for the Chemical Group now stands at 241.6 against 249.4 in March, 1946, demonstrating unusual stability compared with the general market as a whole. Whether 1947 potentials for the industry warrant continued above-average confidence by investors provides an interesting basis for discussion.

To anyone at all familiar with the increasing reliance of every industry in the economy upon chemical research, it must be apparent that producers of organic and synthetic chemicals are bound to enjoy good business as long as their innumerable customers are making peacetime records at their end. Despite differences of opinion as to the possibility of a minor recession some time in the last half, it seems very unlikely that industrial activity for the entire year on the average will fall, compared to the year just ended; the chances in fact favor a continued uptrend. In either or any case, it will not surprise students of the chemical industry if its 1947 net earnings rise still further, perhaps equalling or topping those achieved in the record year of 1944.

Almost Limitless Horizon for New Products

In support of such an optimistic view it is well to review a few old and new fundamentals which attach to this vigorous industry, ranking about twelfth in the national economy. There is scarcely a single item used by either manufacturers or by consumers, including equipment, durables, fabrics, foods, medicinals or cosmetics that has not involved the use of chemicals. All of which reflects an inherent growth factor for the industry in times past and is indicative of a limitless horizon for future years. Despite all the remarkable progress won to date by the chemists, it is said that of 300,000 known organic chemicals only 3% to date have been put to practical use, leaving 97% as potentials for scientists to adapt for commercial uses or for the betterment of mankind, when time and experimentation permit. If there ever comes an end to new developments, as Willard H. Dow, president of Dow Chemical Co. aptly puts it, "either we have become so wise that we can comprehend the entire universe, or else it is an indication that we have gone to seed on our job."

That the momentum achieved by the chemical industry in 1946 is likely to continue expressive in the current year is borne out by the torrent of new items and new processes appearing, many of which are the result of heightened research during war years. As in a large way most of these discoveries

are a stimulant rather than competitor of other materials and processes, it is not surprising that their producers are facing the need of widespread expansion in their facilities to keep pace with a steadily mounting demand. From awareness of this, the industry spent some $150 million for new plants and equipment last year and envisages outlays totalling $200 million in the current year. While there will necessarily be a lag in time before these new units get in full production, some are already completed and some will be turning out chemicals to swell volume and profits during various periods in 1947. Others are looking farther ahead, such as the many producers of plastics, new resins, penicillin and streptomycin; these foresee capacity strained to the limit for a number of years to come, and are planning substantial long range expenditures. As an illustration, take Air Reduction Co., which has teamed up with Bethlehem Steel and Koppers with a view of large scale experimentation in the production and use of low grade oxygen for heat-treating steel. If this proves successful in minimizing decarburization and discoloration, a tremendous new field will be opened for this specialist in extracting gases from the atmosphere.

Excellent Demand Outlook

With bright prospects for well sustained and expanding demand, the chemical industry has operational problems to contend with in the current year, like everybody else. Fortunately few of these enigmas are very serious in import. While the cost of raw materials has risen, generally speaking this is not a major factor in the cost picture. As a whole, too, the industry is highly mechanized and wages absorb only about 10% or 15% of the sales dollar. Overhead, though, is characteristically high, for on the average at least 300 trained research workers are employed for each 10,000 wage earners. In the field of petroleum chemistry, which now does an even larger business than the regular chemical industry itself, the proportion of scientists to other workers engaged is even higher, running to more than 5%. Because of the generally high acidity of materials used, the chemical manufacturers have to allow for considerably higher depreciation than other industries, too, and at the same time their high degree of mechanization involves large amounts of capital investment.

On balance, however, operating margins are held at a satisfactory point as long as volume remains at fair levels. And so highly specialized are the offerings of most of the large concerns that competition is less serious than in other forms of enterprise, although this does not apply to the basic chemicals such as caustic soda, potash and the acids in universal demand. The resins are of manifold description, as well as the plastic powders now gaining popularity in moulding items of even complicated design. An industrial customer with a special manufacturing or processing problem to solve knows exactly what is needed to fill the bill and just where he must turn to get his supply.

Policy Is To Reduce Prices

As for prices, the industry has traditionally followed policies which tended to lower levels whenever increased volume warranted the step. In view of the satisfactory results achieved last year, together with the encouraging outlook ahead, it is probable that the chemical manufacturers will voluntarily re-

Apparatus for distillation of by-products of chemical reactions in the G.E. Plastics Laboratory

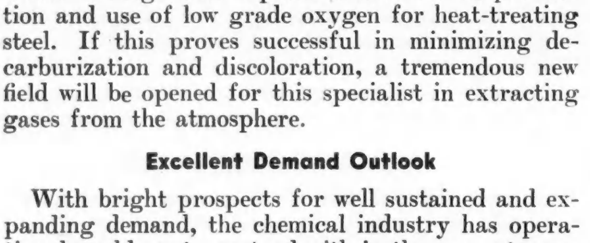


Photo by General Electric

Neoprene being poured from the kettles in the processing of duPont synthetic rubber

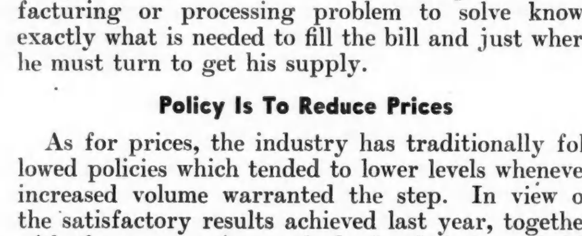


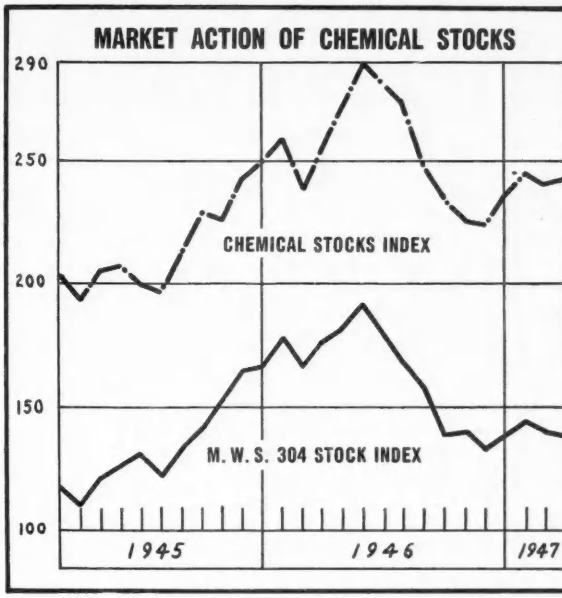
Photo by duPont

duce prices to some extent in the current year. In times past, such a policy has taken precedence over passing profits more liberally over to shareholders. Du Pont recently raised its dividend almost at the same time that it announced a cut in price of nylons. Monsanto and American Cyanamid also have shown greater generosity to their stockholders. The price of penicillin has been cut sharply in line with its increased production. All of which points to an expectancy of moderately lower prices for various chemicals in the near term, not so much because of competitive influences as for sound policies of long standing. Since the end of OPA some units in the industry have exercised their privilege to raise prices substantially, especially for basic chemicals, solvents and rayon, but any customer resistance which has appeared has been confined mainly to the industry level where cost controls have become a paramount consideration. Although the individual public consumer in the final analysis unwittingly pays out small sums for chemicals on practically all purchases of every kind made, he seldom associates these components with the unit he buys. All said, therefore, the price situation is eminently sound and is unlikely to change materially during the balance of the year except at the will of the chemical producers.

Cost Control Good, Inventories Favorable

On an appended table we have provided some rather elaborate statistics bearing upon a dozen or more important manufacturers of chemicals. For purposes of comparison these should provide an interesting study for our readers, although, as always happens, no mere figures by themselves can tell the whole story. So specialized is the industry, also, that in many respects comparisons are irrational. In the cases of U. S. Industrial Alcohol, International Minerals, Dow Chemical and Davison, their figures are based upon fiscal years ended prior to December 31, thus not revealing their more recent status. For the entire group of 18 representative concerns, however, it is interesting to note that their average net operating margin was about 13.8%, attesting to good cost control in the industry generally. The wide variations disclosed in this respect for the individual concerns carries still greater significance, with du Pont leading with 22% for a contrast with 5.1% for Atlas Powder. As for inventory positions, the group shows a favorable status all along the line, for in no instance do inventories equal one half of current assets nor do they represent more than a modest relationship to sales. This attests to a sound financial position and a rapid turnover of products.

So diverse are the activities of the various chemical concerns, and so technical in character, too, that generalities may be of less interest to our readers than a few brief comments bearing upon individual situations. Many shares in the chemical group enjoy a sound investment rating, while the growth potentials are strong enough to give speculative appeal as well, provided the investor watches our columns for advice from our Mr. A. T. Miller as to proper



timing of acquisitions. The price-earnings ratios of few of the chemicals shares is as high as during many periods in the past. This indicates that in more than one instance they are approaching a favorable buying range, and as current yields are rather attractive, a dual opportunity for stable income and possible appreciation may not be far off.

Du Pont, largest in the chemical field, stands a good chance of a sharp uptrend in net earnings during the current year, although the $9.44 per share reported last year might satisfy most people. Sales of rayon, plastics, organic and inorganic chemicals, nylon, ammonia and pigments are trending upward, to mention only a few of the company's innumerable products. Dividends received from its large holdings of General Motors stock are likely to increase its net revenues in the medium term. Around current price levels the new dividend rate of $2 per share quarterly establishes a yield of better than 4%. While a price-earnings ratio of 19.8 indicates a belief in some quarters that the company's current profitable operations may not last long, the weight of sound thinking suggests otherwise.

Union Carbide & Carbon shares, widely held in many conservative portfolios, likewise provide a yield of more than 4%, while a price-earnings ratio of around 16.4 invites attention to their speculative appeal. The fact that this concern has recently raised its dividend rate from $3 dollars annually to $4 per share suggests managerial confidence in near term operations. Union Carbide should enjoy a broadening demand for its oxygen and acetylene gases and equipment, batteries, alloys, synthetic alcohols, plastics and synthetic fibres. Its sales of Bakelite and Vinyon should steadily expand. With a prospect of larger volume, profit margins should widen in the current year to the benefit of net earnings. As we see it, these shares warrant close study by our readers, with a view to buying at the proper time. Union Carbide could easily afford to be more liberal still with its shareholders.

Comprehensive Statistics Analyzing

Figures are in million dollars, except where otherwise stated.	Air Reduction	Allied Chemical & Dye	American Cyanamid	Atlas Powder	Columbian Carbon	Com-mercial Solvents	Davison Chemical
CAPITALIZATION:							
Bonds at par	$23.0	....	$42.0	....	....	....	....
Pfd. stock at market	....	....	$17.7	$8.1	....	....	....
Common stock at market	$95.7	$384.0	$126.0	$17.0	$53.1	$63.2	$9.8
(shares outstanding (000 omitted))	2,737	2,214	2,737	257	1,612	2,637	514
Recent market price of common	$35	$174	$46	$66	$33	$24	$19
Total Capitalization	$118.7	$384.0	$185.7	$25.1	$53.1	$63.2	$9.8
Long term debt	....	....	....	$.5	....	....	....
INCOME ACCOUNT: For Fiscal Year Ended	12/31/46	12/31/46	12/31/46	12/31/46	12/31/46	12/31/46	6/30/46
Gross Sales	$71.2	$280.9	$178.9	$32.2	$34.4	$41.9(a)	$23.3
Depreciation	2.8	10.2	4.9	.6	2.7	.4	.5
Taxes	2.0	22.3	4.9	.6	2.1	3.3	.02
Net available for interest (before taxes)	7.2	....	17.0	....	....	....	....
Interest (bonds and long term debt)	.7	....	1.1	....	....	....	....
Preferred dividend requirements	....	....	.7	.3	....	....	....
Balance for common	$4.5	$26.7	$7.9	$.8	$5.3	$5.7	$1.2
Net Operating Margin	8.9%	14.7%	14.5%	5.1%	19.9%	20.1%	7.0%
Net Profit Margin	6.4%	9.5%	4.8%	3.5%	15.4%	13.6%	5.2%
% earned on capitalization, after taxes	7.4%	13.0%	9.7%	4.7%	14.9%	21.5%	8.0%
No. of times interest charges earned	10.7	....	16.0	....	....	....	....
Earned on common per share—1946	$1.66	$12.06	$2.92	$3.12	$3.29	$2.17	$2.36
1937-1946 Average Earnings per share	$2.29	$9.23	$2.11	$4.67	$2.15	$.92	$1.43
Dividend Rate—1946	$1.75	$8.00	$1.50	$2.25	$1.60	$1.00	$1.00
Dividend Yield	5.0%	4.6%	3.3%	3.4%	4.8%	4.2%	5.3%
BALANCE SHEET: As of Fiscal Year Ended	12/31/46	12/31/46	12/31/46	12/31/46	12/31/46	12/31/46	6/30/46
Cash assets	$18.9	$132.0	$32.7	$3.9	$8.4	$6.5	$6.4
Inventories, net	11.3	28.6	37.6	7.4	3.7	6.2	2.3
Receivables, net	9.1	20.6	16.7	3.8	3.6	6.2	1.1
Current Assets	39.3	181.2	87.0	15.1	15.7	18.9	9.9
Current Liabilities	8.5	31.3	31.8	3.6	3.9	4.2	1.2
Net Current Assets	30.8	149.9	55.2	11.5	11.8	14.7	8.7
Fixed Assets, net	33.9	69.1	58.0	9.4	21.6	10.1	5.6
Total Assets	$81.4	$301.4	$162.1	$29.4	$41.1	$31.6	$16.4
Book Value per share	$17.30	$83.80	$23.00	$66.20	$22.00	$10.15	$29.60
Net current asset value per share*	$2.85	$68.00	Nil	$16.30	$7.30	$5.60	$16.90
Cash asset value per share	$6.90	$60.00	$12.00	$15.20	$5.22	$2.47	$12.50
Current Ratio	4.6	5.8	2.7	4.2	4.0	4.5	8.2
Inventories, % of sales	15.9%	10.2%	21.0%	23.0%	10.8%	14.8%	9.9%
Inventories, % of current assets	28.8%	15.8%	43.2%	49.0%	23.6%	32.9%	23.2%
Depreciation, % of Gross Fixed assets	4.1%	3.3%	4.0%	2.5%	4.5%	1.8%	4.5%
Sales, % of total market value of common	74.5%	73.0%	142.0%	189.0%	65.0%	66.5%	238.0%
Price-Earnings Ratio	21.1	14.4	15.7	21.1	10.0	11.0	8.1

*After allowing for senior securities.

(a) Excludes Federal Withdrawal tax on neutral spirits of $56.5 miillion.

American Cyanamid Co. is another concern with broadly diversified output which could easily give a good account of itself in the current year. Dyestuffs, flotation agents, insecticides, fertilizers, pharmaceuticals and synthetic resins are among the products which currently are in broad demand. The paint industry, perhaps as overwhelmed with orders as any in the economy, is a large buyer of American Cyanamid products, more than 500 paint concerns being included among its customers. The company spends large sums upon research and is constantly placing new products upon the market. In relation to earnings the shares do not seem unduly high priced, although the current yield is not overly attractive. Over the medium term, shareholders warrantably might expect more liberal distributions.

Allied Chemical & Dye Corporation's shares a in the Blue Chip class, with a current price arou 174, but on the basis of price-earnings ratio 14 they exhibit relative modesty. In 1946 the co pany earned the equivalent of $12.06 per sha and there is no sign that 1947 will prove to be a less favorable. Aside from large scale producti of sulphuric acid, ammonia, caustic soda and oth heavy chemicals, Allied has made considerable hea way in promoting the use of detergents (soapl soaps). The price of the latter used to handic their competitive position, but scarcities of oils a fats have pushed prices for regular soaps sky hig Hence the detergents have become highly popul as a substitute and in time may capture a perm nent good slice of the soap markets. At rece

Position of Individual Chemical Companies

Dow Chemical	DuPont Chemical	Hercules Powder	Int'l Minerals & Chemicals	Mathieson Alkali Works	Monsanto Chemical	Union Carbide & Carbon	United Carbon	United States Industrial Chemical	Victor Chemical	Westvaco Chlorine
....	....	....	....	....	$30.0	....	....	$7.5	....	....
$34.1	$212.1	$11.6	$8.9	$4.4	$36.4	....	....	....	$4.1	$9.5
$205.0	$2,080.0	$14.5	$18.1	$24.0	$209.0	$936.6	$29.9	$24.5	$35.2	$11.3
1,249	11,122	2,633	646	828	3,803	9,366	398	499	749	353
$164	$187	$57	$28	$29	$55	$100	$75	$49	$47	$32
$239.1	$2,292.1	$26.1	$27.0	$28.4	$275.4	$936.6	$29.9	$32.0	$39.3	$20.8
....	....	....	$8.8	....	....	....	....	....	$.2	....
5/31/46	12/31/46	12/31/46	6/30/46	12/31/46	12/31/46	12/31/46	12/31/46	3/31/46	12/31/46	12/31/46
$101.8	$661.8	$100.7	$34.4	$20.5	$99.6	$415.0	$22.3	$48.2	$19.4	$18.7
6.1	26.8	4.5	1.4	1.7	4.2	14.8	2.7	1.1	.5	.8
2.2	55.5	5.9	1.0	1.2	6.4	35.7	1.6	.8	1.4	.9
....	....	....	4.2	....	....	....	....	....	....	....
....	....	....	.25	....	........(b)	....	....	........(c)	....	....
1.2	7.6	.4	.4	.16	1.6	....	....	....	.13	.36
$4.9	$105.0	$8.0	$2.5	$1.0	$8.5	$57.2	$3.0	$1.8	$2.0	$.7
7.7%	22.0%	14.8%	12.0%	15.9%	15.4%	21.4%	16.5%	5.6%	18.3%	8.6%
6.0%	17.4%	8.4%	8.5%	9.9%	10.0%	13.8%	13.5%	3.8%	10.9%	5.9%
5.4%	13.8%	17.3%	8.2%	8.1%	9.2%	17.1%	15.0%	5.3%	14.9%	6.1%
....	....	....	17.0	....	....	....	....	....	....	....
$3.95	$9.44	$3.03	$3.92	$2.25	$2.37	$6.10	$7.57	$3.67	$2.65	$2.11
$5.49	$6.62	$1.86	$1.52	$1.50	$1.40	$4.38	$4.97	$2.43	$1.53	$2.28
$3.00	$7.00	$1.50	$1.00	$1.25	$1.08⅓	$3.00	$3.50	$2.25	$1.60	$1.40
1.8%	3.7%	2.6%	3.6%	4.3%	2.0%	3.0%	4.6%	4.6%	3.4%	4.4%
5/31/46	12/31/46	12/31/46	6/30/46	12/31/46	12/31/46	12/31/46	12/31/46	3/31/46	12/31/46	12/31/46
$22.3	$174.8	$16.2	$6.5	$5.7	$41.3	$113.5	$4.0	$15.5	$4.1	$4.0
19.3	104.7	16.4	4.4	2.5	18.0	91.7	1.2	12.7	2.9	2.9
11.6	55.9	9.9	2.3	1.9	14.3	51.6	2.9	3.1	1.4	1.4
53.2	335.4	42.5	13.2	10.1	73.6	256.8	8.1	31.3	8.4	8.3
13.0	75.0	12.7	1.9	2.3	12.2	80.3	2.7	7.0	1.4	1.4
40.2	260.4	29.8	11.3	7.8	61.4	176.5	5.4	24.3	7.0	6.9
56.9	283.9	26.8	25.4	15.7	49.0	151.1	14.3	11.0	4.1	11.0
$128.7	$964.7	$70.5	$40.8	$28.9	$129.0	$439.0	$24.5	$46.0	$16.8	$19.6
$66.80	$54.50	$14.80	$30.70	$27.60	$12.30	$35.80	$50.25	$54.00	$13.35	$24.10
$7.88	$8.25	$7.65	Nil	$6.50	Nil	$18.90	$13.60	$33.60	$3.74	Nil
$17.90	$15.70	$6.15	$10.10	$6.90	$10.85	$12.15	$10.05	$31.10	$5.50	$11.30
4.1	4.5	3.3	6.9	4.4	6.0	3.2	3.0	4.5	6.0	5.9
19.0%	15.8%	16.4%	12.8%	12.2%	18.1%	22.1%	5.4%	26.4%	14.9%	15.5%
36.2%	31.3%	38.6%	33.3%	24.8%	24.5%	35.7%	14.8%	40.5%	34.8%	35.0%
6.7%	4.6%	6.5%	3.5%	3.9%	4.6%	3.5%	6.9%	4.2%	6.2%	3.5%
49.8%	31.8%	690.0%	190.0%	85.4%	47.5%	44.5%	74.5%	197.0%	55.1%	165.5%
41.5	19.8	18.8	7.2	12.9	23.2	16.4	9.9	13.3	17.7	15.2

(b) First Coupon payable May 1, 1947 at annual rate of 2.65%.

(c) No Interest due in the 1946 fiscal year; Bonds were issued in December 1945 at a 3% rate.

prices, shares of Allied Chemical yielded 4.6%, rather attractive in view of all considerations.

Hercules Powder Co. has developed a highly profitable chemical business along lines which have made reliance upon explosives a minor consideration. This concern operates 24 domestic plants along with one each in Canada and England. The main divisions produce cellulose in various forms, including chlorinated rubber, cellulose acetate and ethyl cellulose, naval stores, paper makers' chemicals, as well as acids, alkalis, ammonia, detergents and oils. The company's earnings have been exceptionally stable for years past, reaching a peak of $3.03 per share in 1946, the latter partly due to a rise in prices. Prospects for 1947 are enhanced by the availability of additional facilities and the likelihood of larger volume. While these shares carry considerable long term appeal, they appear rather amply priced in relation to the present dividend rate. The ample margin of earnings, though, may lead to higher dividends before the close of 1947.

Monsanto Chemical Company enjoys above-average growth characteristics as a result of a $75 million expansion program started a couple of years ago and the acquisition of several Government-owned plants since then. More than 300 chemical products provide a wide amount of diversification for this aggressive concern. Among its principal offerings are phosphates, rubber chemicals, plastics, synthetic resins and pharmaceuticals. Practically every important indus- (*Please turn to page* 63)

Happening In Washington

By E. K. T.

LEASE ON LIFE of the Reconstruction Finance Corporation will expire June 30 unless Congress acts to continue it. Present prospect is that Capitol Hill will examine its operations critically (operations to be carefully distinguished from purposes, since it was a product of the last Republican national administration), and that there will be stringent curbs on its scope. Current conversations among lawmakers indicate a purpose to keep RFC in existence largely as a standby against the possibility of tighter economic conditions. Mortgage functions will feel the axe most; may even be liquidated.

WASHINGTON SEES:

Every current indicator points to a furious windup of the current session of Congress with the nation treated to—or, rather, having imposed upon it—the spectacle of the White House and Congress in a knockdown brawl over the right to determine domestic policy. Fortunately, the seriousness of the world situation is appreciated on both sides and international affairs will be treated with at least a surface show of agreement.

The tests of strength will come on fundamental issues, principally labor laws and fiscal matters, both taxing and spending.

None of the reported drafts of labor-management codes projected by the Republican majority on Capitol Hill is acceptable to the President and his advisers. Unless materially changed in a softening process (despite the fact that none is expected to come up to campaign promises of harshness), the bill faces a veto. The GOP would be faced with the necessity of putting up a hard fight to override; but as a matter of political strategy probably wouldn't be unhappy if the White House wins its point. Then lack of industrial and business recovery could be — at least would be—placed at Mr. Truman's door.

The reverse would be true of the veto of fiscal bills. The White House would fight them in their present form, but not too hard; accept defeat, await the crop of deficiency appropriation bills—then blame Congress!

GOVERNMENT'S COST of doing business in the fields normally reserved to private industry never have stood up well in any comparative study. Now being called to the attention of Congressmen is the Kansas City Real Estate Board's examination of figures gathered on housing. They show that the per-tenant cost of public housing is about 20 per cent higher than the median rent of all urban housing in the United States. Even the official figures are not in harmony: The Federal Public Housing Administration reports that low-cost subsidized housing costs $36.31 per tenant per month; the U. S. Department of Commerce says the figures as of last May were $30.25 per month.

SUDDEN DEATH may be the fate of certain segments of the frozen food industry if the Federal Reserve Bank Board and the office of the Comptroller of the Currency, Treasury Department, don't get together on their opinions as to the validity of frozen foods as collateral for bank loans. The Treasury (backed by the Federal Deposit Insurance Corporation) regards the foods as good guarantee of loan repayment; the Comptroller's office says not. Confusion has been the result. Banks would like to follow the Federal Reserve System and FDIC interpretation, but don't want trouble with the Comptroller. Likelihood is an early ruling reversing the latter.

BUSINESS TRAINED Senator Ralph E. Flanders, Vermont Republican, thinks it's about time the government did something about its postal bookkeeping and he's moving on that front. Second-class mail, under which newspapers and most periodicals are carried have historically had a preferential rate, determined as wise by the Founding Fathers who saw the advantages of an informed country. Rural free delivery likewise has had a rate below many other services. Flanders considers these rate levels should be continued but that the Post Office Department should show where deficits occur. He asks for a direct appropriation to cover the cost of "franked" mail and the other free postal services.

As We Go To Press

Intent by Congress, either through current appropriation bills or eventually through other methods, to eliminate the U. S. Division of Labor Standards, seems evident. If the movement succeeds it will rebound. The division is liaison between Washington and the state houses, costs only $800,000 a year, which is cheap by current cost yardsticks.

Along with state departments of labor it helps develop administrative standards, reduce child labor, encourage productive collective bargaining. What it lacks is a powerful lobby; the unions have been annoyed by its methods and its destruction may be one of the sops offered to the laborites.

Congressional leadership seems bent upon treating atomic energy as a trivial matter. Weeks have pased since the President's nominations to the Atomic Energy Committee, but the Senate has by-passed the decision to accept or reject. Time was found meanwhile to discuss portal-to-portal pay, sugar controls and a miscellany of other subjects.

Efforts to point out that the atomic bomb is No. 1 weapon in the United States arsenal, that active work on it is more important now than ever (from a psychological standpoint) have availed little.

Nomination of David Lilienthal and his associates on the commission came last October. Many weeks were given over to hearing. Sabotage by delay has been fatal to maintenance of United States dominance of world diplomacy, the State Department fears.

Tax bill discussions pointed up the seriousness of jealousies between the Senate and the House. Senator Taft was the particular object of criticism by Rep. Knutson and there is more than casual connection between the fact of Taft's around-the-clock quest for the Presidency and Knutson's Stassen partisanship. There hasn't been agreement on a single important statistic in the whole discussion.

Frightening more orthodox tax experts in Washington is the fact that the Knutson program would give the public 5.7 billion dollars more to spend. That means purchasing power and, in turn, the threat of inflation. The Federal Reserve Bulletin has pointed out that volume of currency and deposits in the hands of the public expanded 13 billion dollars in 1946.

Important sidelight to government control of the coal mines was pointed up by the Illinois disaster which cost more than 100 lives. Under the Krug-Lewis agreement it was the responsibility of the Department of Interior to enforce safety regulations. That duty was not carried out at Centralia Coal Co. properties, says the Illinois State Mine Commission.

Senate investigation is under way. It will develop the fact of government neglect in the face of its power to remove from control any operator not abiding by the stated regulations. The report will bob up when Lewis gets his second wind after the Supreme Court tussle. It won't look good for Krug, et als.

President Truman's stock is definitely on the upgrade. Opposition party leaders who dismissed him with an indulgent smile months ago, now are taking him

seriously, aiming their oratorical darts in his direction. Today he's regarded more likely to be a candidate in 1948 than at any other time since he entered the White House, but it's still far from a certainty that he will run.

Used against him if he runs will be the fact of his frequent absences from Washington. None can suggest that rest is unnecessary to any man in the Presidency, but Mr. Truman has a faculty for emphasizing the trivial on his trips, making his official conferences secondary.

Popular chord was struck, however, when he ordered continuing study of the subject of wage guarantees. Rejecting the suggestion of OWMR that wage guarantee shouldn't be a subject of legislation, he has placed his economic advisers on the trail of means to promote it through Capitol Hill.

Not overlooked is the premise that guaranteed annual wage must stem from voluntary collective bargaining. But the President's evidently appreciates that the contract cannot be "jug handled." Accepted theory is that employers should be encouraged to adopt such plans and deduct their costs as items of expense of doing business, not as gratuitous bonuses.

The problem is one which cannot long be delayed. Larger unions are pressing for it now. Tax measures usually come a year or more before their effective dates, a fact apparently not lost upon the President. If the unions win their point before compensating tax legislation becomes a reality, joblessnes could be the result.

Congressional practice of controlling functions of the administrative branch of government by denying funds for personnel which fails to meet the approval of the legislators is a growing danger. Leaders on Capitol Hill are prepared to take steps to end it. The issue was up before; the courts ruled against it. Right of Congress to put an end to departmental functions isn't being questioned. But in practice, the Congressmen have been lopping off funds for individual salaries within continued agencies.

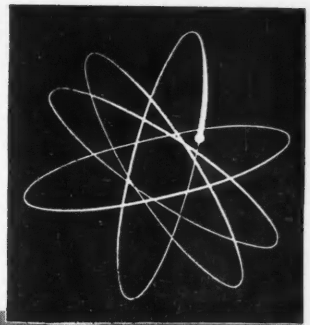
Something wrong in the planning, is the conclusion of food experts who find potatoes spoiling in several parts of the country but inability to meet an 80,000- tons goal for overseas shipment. Campaign to emphasize export operations hasn't worked out; result may be potatoes for seed rather than for the table. Growers here are asking why.

Meanwhile, food is universally recognized as the most potent and effective weapon for combatting communistic idealogies as the "two worlds" take shape. Haphazard distribution is out; henceforth food stocks are to be sent where they will do the most good in improving United States position in the world picture. Closeness of the link between actual aid and diplomatic aspects is established by the fact that Congress is ready to give State Department veto over any appointees suggested for handling the inevitable aid to Greece and Turkey.

A real scandal is in the making on grain market operations. It will make minor, by comparison, the Jordan incident in New Orleans cotton. Individuals in the long parade of speculators who called at the Department of Agriculture will be identified by name.

Call upon exchanges for higher margin requirements could stand examination. Current high prices aren't hurting Agriculture, CCC, or foreign claimants -- but they're stinging those who contracted and can't make deliveries. Agriculture, as a matter of fact, isn't being rushed on delivery dates for its committments. Congressional investigation is just around the corner.

ATOMIC ENERGY
in
The World of Tomorrow



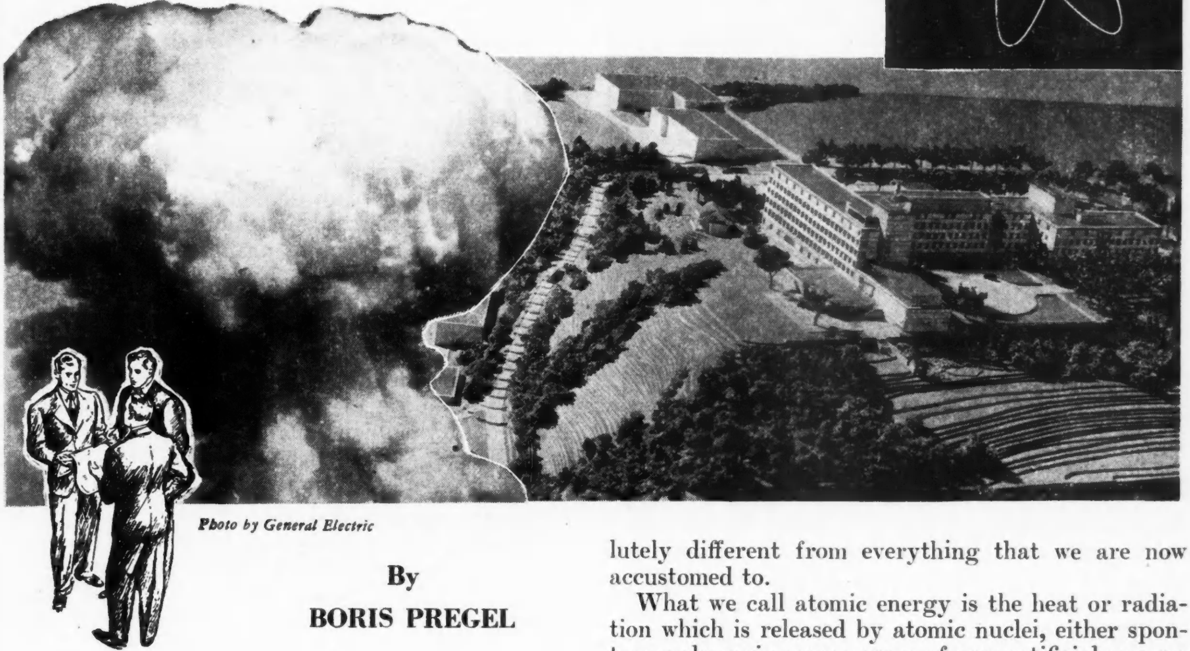


Photo by General Electric

By

BORIS PREGEL

SINCE HIROSHIMA men have been obsessed with the atomic bomb, the horrors resulting from its use, the method and possibility of its control. Yet the peacetime uses of atomic energy and their influence on the world of the future is of equal, if not greater, importance to mankind.

It is not fair to speak of a great scientific discovery only in terms of its potential destructive power. If we do, then we may as well decide that fire or water are destructive elements.

The problems created by the discovery of atomic energy, and to which humanity must now find a solution are immense and complicated. Their technology is closely tied up with social, political and economic questions, and also with profound changes in the structure of our life and our philosophy. The new age, based on the new discovery, will be absolutely different from everything that we are now accustomed to.

What we call atomic energy is the heat or radiation which is released by atomic nuclei, either spontaneously or in consequence of any artificial process which changes the structure of the nucleus.

In 1919 Rutherford succeeded with the first artificial transformation, by bombarding nitrogen with alpha particles. The next twenty years brought sensational discoveries concerning the possibilities of nuclear transformation, the existence of new elementary particles, and artificially radioactive elements—discoveries which surpassed the most audacious expectations.

At the beginning of this period newspapers frequently claimed that the dreams of the alchemist had come true and that we could now produce gold from other common elements. It was true in a way, but the main point was that the gold produced by artificial transformation would cost more to produce than ordinary gold. The same is valid for the artificial production of other elements. From an economic standpoint, only such processes of transformation are valuable in which the output of energy is greater than the energy necessary to induce its release.

Certain elements, however, especially under the bombardment of neutrons, become radioactive themselves and emit a radiation consisting of positive or negative electrons, and in some cases even gamma rays. Almost all elements can be transformed into their radioactive isotopes. We can thus produce radioactive sodium or potassium, iron or gold. These results of artificial radioactivity are of supreme im-

Boris Pregel, the author, is the engineer and scientist who warned America nearly seven years ago about the German work on the atom bomb, and urged that the United States buy up all available Uranium stocks. He was among the first to furnish Uranium used in our atom bomb project. During the war, he was expert consultant to the Army's Chief of Staff. A successful, substantial business man, Mr. Pregal is president of Canadian Radium & Uranium Corp., International Rare Metals Refinery, Inc., Consolidated Caribou Silver Mines, Inc. and a number of other corporations.

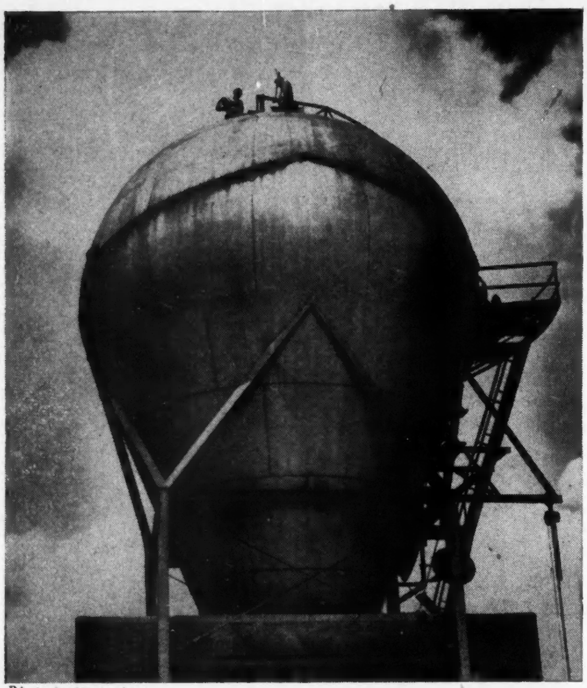


Photo by Press Assoc.
Huge atom smasher at the Westinghouse Laboratories where the atom was first put to useful work six years ago

portance. Radioactive methods of analysis are much more sensitive than any of the methods of analytical chemistry, or even spectroanalysis. We are able to detect the smallest quantities of radioactive material. For instance, in the case of radioactive phosphorous we can measure accurately quantities as small as one-trillionth of a gram.

Many technical problems which hitherto seemed impossible of solution can now be solved with the help of these radioactive elements.

Even more important is the use of this method in the field of biology. With its help we can follow human, animal and plant metabolism, and we already have a whole series of new data regarding the absorption and secretion of life sustaining substances.

We also know that minute quantities of certain elements, such as cobalt or thallium, are often a very important factor in raising plants and crops. The amounts of these elements are so small that it is difficult to define them. Artificially radioactive elements create a means to apply and control such trace elements and thereby augment the supply of many food products, an achievement which is of the greatest importance today when one quarter of the population of the world is faced with starvation.

The most important source for the production of radioactive elements is the uranium, or plutonium, pile. The uranium pile works much more economically than any other device. Here we have for the first time a method of converting atomic energy into other useful forms without too great a loss and with an appreciable yield.

Briefly the principle of its working mechanism is that during the bombardment of the nucleus of the uranium isotope 235 with slow neutrons, a great percentage of these neutrons is captured by the nucleus which becomes unstable and splits, releasing in this process a great amount of energy. The energy liberated per splitting atom is very high. For example, if only one percent of all the atoms in one gram of U235 would undergo fission, we could still produce enough energy to bring two hundred metric tons of water from zero to the boiling point. We have here amounts of energy much greater than in any other nuclear process mentioned before. But, what really makes the fission of U235 so powerful a reagent is the so-called chain reaction. During the process of fission, neutrons are liberated. These neutrons, if slowed down in an appropriate manner, themselves can induce fission in other nuclei, producing an ever increasing number of splitting atoms and, therefore, ever increasing energy. To give an idea of the enormous quantities of energy released by fission: The transformation of about one gram of uranium, by fission, represents twenty-four thousand kilowatt hours of power, a quantity sufficient to run a sizable mill for twenty-four hours. The amount of uranium which disappears is tremendously smaller than this one gram, yet in size, one gram of uranium is less than a pea. Again, the United States burns about six hundred fifty million tons of coal annually for all known purposes. As much energy could be supplied by fission of only about two hundred forty tons of uranium.

Suppose we took a minute quantity of radioactive tungsten, and were to seal it in a vacuum glass bulb, the walls of which have been coated with a luminous compound. We obtain a powerful lamp which could be used in places where there is no available supply of electricity, such as the Polar Regions, on plains, or on deserts. The lamp will burn day and night, with slowly decreasing intensity, until, in about seventy-seven days the intensity will have fallen to one-half the original brightness.

We can use artificial radioactive substances to charge isolated bodies and to heat and weld materials in the intense electron current. We can build photoelectric relays and devices with unusually high photoelectric current, and use radioactive substances instead of oxide-coated cathodes or filaments in various types of electronic tubes.

The importance of these possibilities becomes especially clear when we realize that the electrons emitted by the pile-produced radioactive elements are themselves a source of electricity that needs no plants, no batteries, and no wires.

There is also the use of atomic energy as a blasting instrument for peaceful purposes, such as the opening of the mines, the digging of tunnels or canals. French physicists already are considering experiments in the Sahara Desert, with the purpose of raising to the surface the natural water resources which are found many hundreds of feet below the ground, converting the wasteland into one big oasis.

Another possibility feasible when we have suitable material, would be the construction of an immense source of light and heat which, through a proper

control of radiation, would be beneficial in settling such deserted regions as the Arctic and Antarctic.

Depending upon the materials with which we surround the source, we may use it as an X-Ray machine or as a powerful source of neutrons. In this manner we can change the properties of inorganic matter, and produce new and until now unknown materials. In the same way we could produce coal and petroleum from the organic constituents of vegetable matter. We could use it for chemistry requiring very high temperatures.

There is an additional advantage of uranium as a fuel, in comparison with, for instance, coal or petroleum. With ordinary fuels, after combustion has been completed their value is reduced to zero, whereas in the case of uranium, we obtain a continuous amount of even more valuable fuel like plutonium, or other transuranic elements.

The discovery of atomic energy will also advance our knowledge of the living cell. In recent years we learned a little. We know something about heredity, and we may, with the help of radiation, influence the invisible genes in the germ plasma so that we can create living organisms with varying characteristics. We may soon know more about the atoms of the human body.

What are the changes which will result from the astounding technological advance of the last quarter of a century and its climax—the discovery of atomic energy?

It must be understood that these changes will not come at once despite the fact that their arrival will be accelerated more rapidly than during any other time in history. There still will be points of resistance, natural and provoked. The most important slowing factor will be our own psychology, probably the least elastic known thing in the world. That is why what follows should not be construed as something to be foreseen for the next three months, or for the next three years. It is merely what seems to be the inevitable consequence, in the coming years, of the new scientific developments transposed to our daily life.

First, let us look at the world, especially the western world, as it was up to 1800. The growth of population was very slow. All economy was based on handicraft and agriculture. The only energy sources at the disposal of mankind were human and animal muscles, and the low energy output released by primitive machinery driven by water and wind.

As soon as the steam engine was invented the picture essentially changed. National and international trade greatly expanded, as there were more and more goods for exchange due to the use of steam power and machines. In the course of one and a half centuries there was a tremendous growth of population and a larger distribution of wealth. Political government took on constitutional forms under public control.

Now, practically every day brings new discoveries and new developments tending to give mankind the ability to produce anything, anywhere, from everything or nothing. That was true of materials or machines, and the same is true now of energy, and what is more important, production through energy is at a very low cost in terms of labor and time.

The new chemical progress, and the discovery of atomic energy makes modern industry ever less dependent on coal and iron mines, around which the industry of the last century was concentrated. Powerful atomic energy stations may soon free industry from dependence on electric power lines. We have already become accustomed to wonders. We are no longer astonished at plastics and synthetic materials. Hormones and vitamins are the biggest sellers in drug stores, and the technical dictionary of today requires many, many new pages to list the organic materials and metals absolutely unknown only a few years ago. Every year the perfection of the technological processes makes mankind more and more independent of labor, fixed plants and natural resources. There is no doubt that we are living at the beginning of a magic era of abundance and leisure.

This revolutionary process can not develop without causing great changes in our economic organization. All the basic questions of money, investments and credit, of foreign trade are deeply connected with technological developments. Even now very few realize the consequence of this connection. Our thinking is still influenced by the conditions known to us a quarter of a century ago and which were the result of slow and organic development.

The new technological progress can make available freely to man all the material things he may need and supply the opportunity for the greatest spiritual development that has yet been reached.

Our newly-acquired knowledge will either destroy us or bring us an age of happiness and plenty. The choice now rests with us. Is it asking too much of the human race to see clearly where its salvation lies?

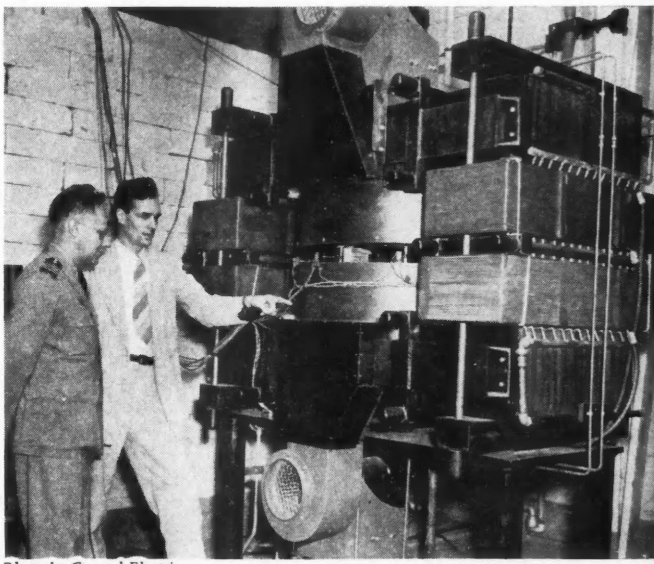
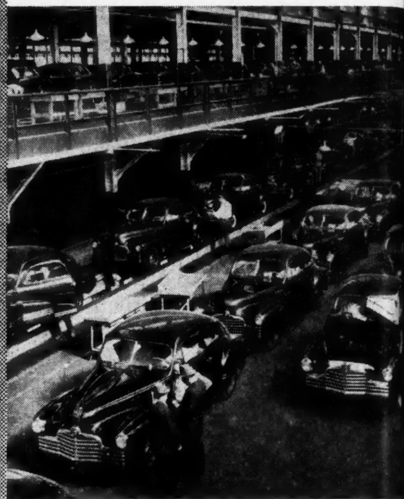


Photo by General Electric

A new compact type of atom smashing device, the Synchrotron, at General Electric's laboratories. It is capable of hurling electrons at energies of at least seventy million volts

Photo by Ewing Galloway

The New Tempo OF OUR NORTH CENTRAL STATES



By JOHN D. C. WELDON

IN MANY RESPECTS the Midwest is more typical than any other region of conditions in the United States as a whole. The ten states making up this North Central region are of approximately average size, in contrast with the vast expanses found in our Western states or the diminutive scale of New England. The population—mostly native-born, is distributed fairly evenly in rural and urban areas, rather than being scattered sparsely over great open spaces or concentrated in large cities. Economic activity is well balanced and diversified between agriculture, manufacturing, trade, transportation, public utilities, and finance. In analyzing business trends, it may be said—to paraphrase the political adage—that "As the Midwest goes, so goes the nation."

Because this section is so representative of national conditions, as well as so important in itself, the current problems and mixed trends observed here are of more than usual significance. During the war, the industries of the Midwest comprised a substantial portion of our "Arsenal of Democracy," while its farms and food processing plants helped feed the United States and the world. With the prevailing high level of income based to considerable extent on the high prices of farm products, the recent wide fluctuations in the markets for crops and livestock are a source of serious concern. The U. S. Department of Agriculture has just confirmed its official forecasts that prices will decline later this year, by as much as perhaps 25%.

Two of the largest manufacturing enterprises here—Ford Motor and International Harvester—have taken leadership to check further inflation, leading inevitably to depression, by voluntarily reducing prices on their products, despite having backlogs of unfilled orders at former prices that would keep them operating at capacity for another year or more. Political sentiment here is influenced by the conflict between powerful farm blocs and strongly organized labor. Here, as elsewhere, is a growing popular discontent at the burdensome sum-total of federal, state, and local taxes, and discouragement as to the changes for genuine tax relief.

The ten North Central states comprise an area, as shown in the following table, of approximately 614,000 square miles, or 20% of the U. S. total, and had a population in 1945 of 33 million, or 25% of the U. S. total. Although the area is comparable with the regions treated in our two preceding surveys covering the "Pacific Northwest" and "California and the Mountain States", it will be seen that its population is several-fold that of the others, amounting to 4½ million and 12 million, respectively.

Wartime Shifts of Civilian Population in the Midwest States

	Area in Square Miles	1945 Population (000s)	Per cent Change 1940-45
Illinois	56,400	7,721	— 2.3
Indiana	36,291	3,438	....
Iowa	56,280	2,260	—11.0
Michigan	58,216	5,472	+ 3.7
Minnesota	84,068	2,497	—10.7
Nebraska	77,237	1,198	— 8.7
North Dakota	70,665	521	—18.7
Ohio	41,422	6,873	— 0.7
South Dakota	77,047	555	—13.5
Wisconsin	56,154	2,952	— 6.1
Total, Midwest	613,780	33,487	— 3.2
Total, U. S.	3,022,387	131,976	+ 0.2
% Midwest to total U. S.	20.3	25.4	

While during the war, the total civilian population of the U. S. showed practically no increase, because of excluding the millions of persons entering the armed forces, the civilian population of the Midwest actually decreased by 3%. The sharpest decreases were in the primarily agricultural states of Iowa, Minnesota, Nebraska, North and South Dakota, and Wisconsin; the smallest decreases, or

slight increases, were in the more populous and highly **industrialized states of Illinois,** Indiana, Michigan, and Ohio.

For many years the Midwest has been preeminent in **agriculture. In 1946 its cash** farm income from crops and livestock (exclusive of federal subsidies) amounted to over $9 billion, or almost 39% of the U. S. total, comparing with $8 billion in 1945 and with only $3 billion in 1936. This trebling of farm income was a major factor in the widespread prosperity of farmers, liquidation of farm mortgage debt, accumulation of savings, and boom of retail trade generally. It has made the farmers here good customers of the other industries, and explains why so much national advertising and sales effort is now devoted to the rural markets.

Cash Farm Income from Crops and Livestock in the Midwest States

(In Millions of Dollars)

	1936	1945	1946
Illinois	$495	$1,162	$1,399
Indiana	275	685	778
Iowa	560	1,502	1,794
Michigan	228	501	593
Minnesota	348	859	1,026
Nebraska	278	729	899
North Dakota	95	456	541
Ohio	341	723	802
South Dakota	112	414	545
Wisconsin	316	752	881
Total, Midwest	3,048	7,783	9,258
Total, U. S.	8,212	20,781	23,934
% Midwest to Total U. S.	37.1	37.5	38.6

New Crops Stabilize Farm Income

In addition to the mainstay crops of corn, wheat, oats, barley, rye, and hay, and a large livestock production including hogs, cattle, sheep, poultry, eggs, and dairy products, a steadily increasing number of new crops is being successfully raised for sale as industrial raw materials. They also help to diversify and stabilize farm income.

In Nebraska, for example, many farmers are raising castor beans, the oil from which is used (in addition to its familiar use in medicine) as a lubricant, as hydraulic fluid, in soaps and in some nylon, and (after dehydration) in paints. In the dry sections of western Nebraska they have recently introduced the safflower plant from India, the oil from which is used in place of linseed oil for paints, varnishes and enamels; from the hulls is obtained furfural, used in plastics; the oil-cake residue is a valuable stock and poultry feed. Farm income in Nebraska during the past ten years has increased at a much higher rate than the average in that region, being exceeded only by the remarkable growth in the Dakotas, as may be seen from the next table.

Part of this increase in farm income reflects the great improvement in productivity from the use of better farming methods, sponsored for years by the various state agricultural experiment stations and colleges and the U. S. Department of Agriculture, part by the use of more and better fertilizers, and part by the introduction of more modern farm machinery. There has been a tremendous increase recently in the number of tractors, mechanical corn pickers, and potato diggers. In the dryer sections, a "damming lister" is being used — a gang plow which penetrates below the surface soil and opens up narrow trenches to absorb and hold the precious rain.

New Projects to Fight Future Deflation

A number of projects are under way for irrigation, flood control, hydroelectric power, and restoring navigation, such as those for taming the Missouri River. On its headwaters far up in Montana at Fort Peck has been built the world's largest earth dam, over 21,000 feet long and 250 feet high, while other huge dams will be built at Garrison, N. D., and Oahe, S. D., plus more than 100 smaller dams along the Missouri River and its tributaries.

Soil conservation and improvement of marginal land, of which there is a great deal in the North Central states, should help to alleviate the economic distress in the event of another major business depression. There are still too many poor farms and poor farmers. Many portions of this section were among the sorest spots in the country during the early 1930s and were characterized by widespread farm foreclosures, commercial failures, bank failures, building and loan association failures, federal relief payments, and crop subsidies.

Some of the country's largest industries, located

Manufacturing Corporations in the Midwest Reporting Net Income After Taxes of Over $5 Million in 1946

(In Thousands of Dollars)

	Year Ended	Net Income 1945	Net Income 1946
Abbott Laboratories, N. Chicago	12/31	$3,157	$10,821
American Rolling Mill Co., Middletown	12/31	9,415	18,552
Archer-Daniels-Midland Co., Minneapolis	6/30	3,539	6,604
Armour & Company, Chicago	10/31	9,173	20,791
Caterpillar Tractor Co., Peoria	12/31	6,512	6,112
Chrysler Corporation, Detroit	12/31	37,465	26,889
Container Corp. of Amer., Chicago	12/31	2,026	7,166
Crane Company, Chicago	12/31	5,308	8,597
Cudahy Packing Co., Chicago	10/31	2,505	6,721
Deere & Company, Moline	10/31	8,651	9,566
Dow Chemical Company, Midland	5/31	8,739	6,149
Firestone Tire & Rubber Co., Akron	10/31	16,447	27,683
General Mills, Inc., Minneapolis	5/31	6,474	7,146
General Motors Corp., Detroit	12/31	188,268	87,526
General Tire & Rubber Co., Akron	11/30	1,608	5,733
Glidden Company, Cleveland	10/31	2,348	5,715
B. F. Goodrich Co., Akron	12/31	12,314	25,208
Goodyear Tire & Rubber Co., Akron	12/31	15,137	36,213
Industrial Rayon Corp., Cleveland	12/31	2,438	8,822
Inland Steel Company, Chicago	12/31	9,861	14,544
International Harvester Co., Chicago	10/31	24,447	22,326
Libbey-Owens-Ford Glass Co., Toledo	12/31	3,166	6,308
Minn.-Honeywell Reg. Co., Minneapolis	12/31	3,437	5,119
Minn. Mining & Mfg. Co., St. Paul	12/31	3,649	9,921
Ohio Oil Co., Findlay	12/31	13,950	18,253
Owens-Illinois Glass Co., Toledo	12/31	8,794	13,247
Parke, Davis & Co., Detroit	12/31	7,763	13,337
Procter & Gamble Co., Cincinnati	6/30	19,512	21,264
Pure Oil Co., Chicago	12/31	13,582	17,108
Quaker Oats Co., Chicago	6/30	5,401	6,471
Republic Steel Corp., Cleveland	12/31	9,543	16,033
Sherwin-Williams Co., Cleveland	8/31	5,065	6,920
A. E. Staley Mfg. Co., Decatur	12/31	2,335	7,661
Standard Oil Co. (Ind.), Chicago	12/31	50,340	67,650
Standard Oil Co. (Ohio), Cleveland	12/31	3,713	10,325
Swift & Co., Chicago	10/31	12,304	16,395
Timken Roller Bearing Co., Canton	12/31	5,380	5,503
U. S. Gypsum Co., Chicago	12/31	4,352	12,414
Hiram Walker & Sons, Peoria	8/31	4,842	10,039
Wilson & Co., Chicago	10/31	5,037	8,312
Wm. Wrigley, Jr. Co., Chicago	12/31	5,914	6,503
Youngstn. Sheet & Tube Co., Youngstown	12/31	7,512	14,255

in the Midwest and using agricultural products as raw materials include flour milling and cereals, baking, dairy products, meat packing, canning and preserving, and corn products. Numerous industries using by-products of meat, milk, and cereals produce stock feed, dog food, fertilizer, glue, gelatin, leather, hair, and pharmaceuticals. Some of the largest beverage and industrial alcohol distilleries are located here, while brewing is important throughout the more thickly populated areas.

Recent New Stock Offerings of Companies in the Midwest Having Annual Sales Over $10 Million

		Year Ended	Sales (000s)
Admiral Corporation, Chicago	Radio & electronics	12/31/46	$36,170
Louis Allis Co., Milwaukee	Electric motors	12/31/46	12,969
American Phenolic Corp., Cicero, Ill.	Plastic parts	12/31/45	28,850
Automatic Canteen Co., Chicago	Vending machines	9/30/46	13,306
Bell & Howell Co., Chicago	Photographic equipment	12/31/45	21,931
Philip Blum & Co., Chicago	Distilling whiskey	11/30/46	27,892
Boston Store, Chicago	Department store	1/31/46	10,809
Burgess-Norton Mfg. Co., Geneva, Ill.	Auto equipment	12/31/45	18,513
Carson Pirie Scott & Co., Chicago	Department store	1/31/46	46,238
Cincinnati Milling Mach. Co., Cincinnati	Machine tools	12/31/46	33,931
Cornell Wood Prod. Corp., Chicago	Lumber & wallboard	12/31/45	13,995
Helene Curtis Industries, Chicago	Drugs & cosmetics	12/31/45	13,351
Danly Machine Specialties, Cicero, Ill.	Machinery & dies	6/30/45	12,823
Ekco Products Co., Chicago	Cutlery & tools	12/31/46	30,244
Ft. Wayne Corrugated Paper, Ft. Wayne	Paperboard containers	12/31/46	11,786
Gerber Products Co., Fremont, Mich.	Baby foods	3/31/46	19,907
Globe-Union, Inc., Milwaukee	Storage batteries	12/31/45	18,599
Jack & Heinz Prec. Equip., Maple Hts., O.	Engines, gauges, etc.	12/31/45	85,056
Kingan & Co., Inc., Indianapolis	Meat packing	11/ 2/46	90,022
Kroehler Mfg. Co., Naperville, Ill.	Household furniture	12/31/45	21,733
Meredith Publishing Co., Des Moines	Magazine publishing	6/30/46	11,064
Natl. Screw & Mfg. Co., Cleveland	Bolts, nuts, etc.	11/30/45	16,173
Fred B. Prophet Co., Detroit	Restaurant chain	12/31/45	10,781
Red Owl Stores, Inc., Minneapolis	Chain groceries	2/28/46	36,488
Ed. Schuster & Co., Milwaukee	Department store	1/31/46	26,405
Seeger Refrigerator Co., St. Paul	Household refrigerators	8/31/46	15,160
Shellmar Products Corp., Chicago	Plastic packaging	12/31/45	28,992
Standard Forgings Co., Chicago	Steel forgings	12/31/45	16,717
Towmotor Corporation, Cleveland	Industrial trucks	12/31/46	11,213
Weatherhead Company, Cleveland	Hose & fittings	12/31/45	26,854
Webster Electric Co., Racine	Electrical equipment	12/31/45	21,719
Wilson Brothers, Chicago	Men's haberdashery	12/31/46	13,279
Allen B. Wrisley Co., Chicago	Drugs & soaps	12/31/46	11,736

Great Diversity of Manufacturing

The accompanying list of manufacturing corporations in the North Central states reporting net income after taxes of over $5 million in 1946 illustrates the tremendous size and diversity of the food and other industries. These include iron and steel, agricultural implements, building equipment, electrical equipment and radio, household appliances, office equipment, railway freight and passenger cars, and machinery; also chemicals, drugs, soap, paint, lumber, pulp and paper products, petroleum refining, cement, gypsum, glass, rayon, and clothing. During the war there was great expansion in many of these branches.

Michigan is the world's center of the automobile industry, while other important states producing passenger cars, trucks, buses, parts, and accessories are Illinois, Indiana, and Ohio. Tire production is centered around Akron. During the war, much of the automotive industry was converted to the building of aircraft, engines, and parts. Some of the large aircraft companies having headquarters elsewhere operated government-owned plants in the Midwest, which have since been closed down.

Photo by Press Assoc.

With meat rationing a thing of the past, the cattle pens of Chicago's stockyards are again jammed

It will be seen that the 42 companies given in the list (excluding General Motors, whose decline reflected special factors such as termination of war business, prolonged strikes, reconversion delays, and material shortages) had an increase in their combined net income from $383 million in 1945 to $574 million in 1946, a gain of 50%.

Other prominent manufacturers in this section, which did not have earnings of $5 million last year or have not yet issued their annual reports, are Allis-Chalmers at Milwaukee, Beatrice Foods at Chicago, Bendix Aviation at South Bend, Briggs Mfg. at Detroit, Burroughs Adding Machine at Detroit, J. I. Case at Racine, Diamond T Motor Car at Chicago, Dow Chemical at Midland, Electric Auto-Lite at Toledo, Fairbanks Morse at Chicago, Ford Motor at Dearborn, Houdaille-Hershey at Detroit, Hudson Motor at Detroit, and Kaiser-Frazier at Willow Run. (*Please turn to page* 48)

Wartime Changes in National Income in the Midwest States

	1945 Natl. Income (Millions)	Per Cent Change 1940-45	1945 Per Capita Income
Illinois	$10,589	+ 84	$1,360
Indiana	3,985	+114	1,152
Iowa	2,516	+104	1,109
Michigan	6,672	+ 95	1,212
Minnesota	2,666	+ 87	1,061
Nebraska	1,347	+137	1,172
North Dakota	588	+148	1,123
Ohio	8,925	+101	1,289
South Dakota	599	+148	1,083
Wisconsin	3,451	+113	1,161
Total, Midwest	41,338	+ 99	1,235
Total, U. S.	152,704	+101	1,150
% Midwest to Total U. S.	27.1		

SELECTED STOCKS *with* HIGHER EARNINGS TREND

By H. F. TRAVIS

WHEN earnings have been shown by a company at a rising rate for a period of years, that company has what is called satisfactory earning power. The latter term denotes resiliency of earnings so that in the event of future declines, there is reason and a base for hope of subsequent recovery. Thus, if the trend is right, not only the safety but also the future possibilities of a common stock investment are enhanced. Trend is one of the most important elements to be considered in studying the investment position of a common stock. In certain cases where extraordinary gains in net income had been made in one year, it cannot be forecast that another new high may be recorded in the following year or perhaps for many years. However, this usually has been taken into consideration by the market prices of the shares.

Due to space limitations only nine companies have been selected. Obviously, this means that among the thousands of companies there are others that could have been included. For example, many stocks in the chemical group are well known to qualify, but these stocks were not included because a survey upon the chemical industry and some of the individual companies appears in this issue of THE MAGAZINE OF WALL STREET beginning on page 11.

As shown by the table of earnings, a conscientious effort has been made to select companies with consistent growth over a period of the past nine years. When circumstances beyond the control of the management have temporarily interfered with earnings, such as wartime conditions with the accompanying higher taxes, the stocks, nevertheless have been included. In all cases the trend of earnings has been distinctly upward, for even though a decline occurred in one year, earnings moved still higher in following years. In 1946 earnings increased by considerable margins. Companies in our tabulation making outstanding records were Colgate-Palmolive-Peet, Goodyear Tire & Rubber and National Dairy Products.

Anchor Hocking Glass, the first company in our tabulation and one of the most interesting for assured growth, reported an increase in sales last year of about 22% to $64,399,742, and substantially the same per cent of profit to net sales as in 1945. Net income was enhanced also by the reduction in federal income taxes resulting from repeal of the excess profits tax; claim for refund has been filed for 1941 to 1945, inclusive and if granted, a substantial refund would be paid. Financial position is exceptionally strong with cash assets over three times current liabilities; current ratio was 5.3 to 1, compared with 3.6 to 1 at the close of 1945.

Important research and engineering work is conducted both in containers, in the interests of packers, and in technical progress of glass production. Employee relations appear exceptionally harmonious.

Because of war conditions, the requirement of an uninterrupted increase in earnings each year could not be strictly adhered to, for if it were, the outstanding growth situation—International Business Machines Corp. could not be included. This corporation reported a decline in net profit in 1942, and earnings did not exceed 1941 until 1945. There was a whopping net profit of $18,766,433 in 1946 compared to $10,893,706 in 1945. IBM manufactures astoundingly intricate machines and leases them to business and other organizations. Their devices may be divided into three approximate classes: (1) punching machines which perforate tabulating cards; (2) electric sorting machines which sort the cards into desired classifications; (3) various machines for obtaining the final result. The latter include electric accounting machines, automatic multiplying punch, invoicing tabulator and many other machines one or more of which are used by most of the industries of the United States and abroad. Sometimes there are 2,000 patents on one machine so that even if a number of patents expire, no one else can make the units. Various time recording systems are leased, and electromatic typewriters are sold. Among nine new, 1946 products is an Electronic Multiplier, the first commercial application of electronics for calculating. At present, the re-

search and engineering laboratories are working on eighty-four different projects relating to the regular products and new inventions. In 1946, and in February, 1947 funded debt was increased by $33,000,000 to $50,000,000 of 2¼% and 2⅝% Debentures for additional working capital to be used for increased production of rental machines and for other corporate purposes including construction of an additional manufacturing building estimated to cost $6,000,000, including equipment.

Another concern that scored a whopping increase in net earnings in 1946 over 1945 was The Goodyear Tire & Rubber Company, and the final figure was more than two and one-half times that of 1945. Moreover, the price of the common shares did not reflect the increase in earnings. Perhaps the market is forecasting, as we stated in the first paragraph of this article, that the gain was extraordinary and that the earnings may not increase over that level for many years. Careful study of conditions in the industry and of the company's report appears warranted. The industry is said to face a problem of reducing expenses under the condition of lower sales volume. This was accomplished last year. For example, Goodyear sales were about $100 million lower than in 1945 and wage rates were increased early in the year by approximately 15%. A further increase of 11½ cents an hour was agreed last month by the companies and the unions upon an industry-wide basis. The agreement and the apparently reasonable increase in wage rates can be attributed in part to previous favorable action on the part of managements, such as Goodyear's additional charge against earnings last year of $1,000,000 in reserve for future incentive profit sharing. Earnings last year were after providing two other and larger reserves. One of $5,000,000 was for foreign investments because of increasing regulations abroad which may have an adverse effect on the company's foreign values, and another of $10,000,000 for possible cost of price adjustments and other post war contingencies. Nearly one-quarter of last year's net earnings were from foreign properties. Eleven plants are owned in foreign countries, three in Canada and one in Cuba, largely for production for tires and mechanical goods, for tires and heels and for tires only. The company recognizes that a balance between supply and demand for tires should be reached in 1947, looking toward a return to more normal competition in this field. It is making extensive use of the new sales laboratory at Akron and has launched a program of field sales training among all Goodyear dealers. They point out that recent surveys indicate the highest public preference for Goodyear products in the company's history.

Goodyear operates four fabric mills in the south, in addition to its ten tire and/or rubber products and heel plants widely placed in this country. In view of increased use of rayon in tire making it is well to note that its rayon facilities have been expanded in the textile mills. The demand for mechanical rubber goods, for the company's packaging material, Pliofilm, for Airfoam and for Neolite soles and many new and interesting products made of vinyl plastics continues very strong. Financial position is excellent, and although arrangements were made for a low-interest revolving bank credit of $75,000,000, no loans are outstanding thereunder.

Concerns Charge Substantial Reserves

Another company which set up reserves out of earnings last year was Colgate-Palmolive-Peet. After price controls were removed in November 1946 the price of tallows and other fats and oils more than doubled. It was necessary, therefore, to increase prices on soap products to compensate for the substantially higher costs. The company states that when the world supply of fats and oils becomes more nearly normal, prices will return to a lower level. And such a drop in price is usually followed by a loss on inventories because soap prices often are reduced before such inventories can be converted to soap and sold. Protection is needed against this situation and a reserve of $3,500,000 was provided from 1946 income to cover possible future inventory price declines. It is further stated that additions will be made to this reserve during 1947 as deemed essential or prudent. Despite this charge, earnings more than doubled from $7,036,000 to $14,443,000 between 1945 and 1946. Relief from excess profits taxes, and the increase in domestic and foreign sales from $172,989,000 to $190,724,000 were important contributing factors. Net income from domestic operations was $12,187,000 and from foreign divi-

Table of Earnings

	Net Earnings Per Common Share									1946-47 Price Range		Recent Price	Price-Earnings Ratio
	1938	1939	1940	1941	1942	1943	1944	1945	1946				
Anchor Hocking Glass	$ .68	$1.65	$1.43	$1.36	$1.94	$1.99	$2.52	$2.43	$6.11	62¼	38	$ 47	7.7
Burlington Mills	.57	.82	.69*	1.20	1.19	.99	1.05	1.31	3.47	26⅞	16⅛	18	5.2
Colgate-Palmolive-Peet	1.77	2.67	1.84	3.09	2.46	3.11	3.30	3.34	7.14	60¾	42¼	50	7.0
Decca Records	.29	.50	.58	1.00	1.04	1.33	1.29	1.08	2.50	22½	16¼	17	6.8
Goodyear Tire & Rubber	1.34	3.20	3.44	4.68	5.46	5.68	5.90	5.87	16.07	77	50⅛	57	3.5
Int'l Business Machines	6.04	6.34	6.58	6.87	5.81	6.42	6.78	7.61	13.10	250	195	213	16.3
National Dairy Products	1.70	1.89	1.66	1.97	1.95	2.09	2.13	2.26	4.05	45¼	30	33	8.1
Skelly Oil	2.27	1.99	3.28	6.03	5.74	5.57	7.36	8.69	10.30	85½	54	71	6.9
Walgreen	1.25	1.87	2.10	2.25	2.27	2.20	2.25	2.20	2.64	54	32⅛	33	12.5

* 9 months to September 30, 1940; in 1940 the fiscal year was changed to September 30.

dends, $2,256,000 (earned), in contrast to the comparative 1945 figures of $6,531,000 and dividends of only $504,000. Cash funds are ample for current and prospective needs. On December 31, the company balance showed total current assets of $57,262,000, including cash of $6,778,000 and U. S. Government securities of $15,400,000, against total current liabilities of $9,749,000.

In its excellent statement for last year, National Dairy Products did, however report a considerable increase of inventories. The latter increased nearly 87% over 1945 while sales to civilians increased 37%. Inventories aggregated $86,765,000 at the close of 1946. Directors recognize the possibility of future inventory price declines and 1946 earnings were charged with a reserve of $5,000,000, bringing the reserve for future possible inventory price declines and other contingencies to $15,000,000. An upward trend in sales appears to be established by both the broadened public understanding of the importance of dairy products in a healthful diet and the company's program of diversification through output of products other than milk, cheese, ice cream and butter. Examples of other products are Formulac, a new baby food which was introduced in 1945, and is enjoying wide acceptance among physicians and the public; aids to medicine such as calcium lactate (produced from whey), which is used to treat calcium deficiencies; development of a new calf feed, Kaff-A, which has aided the farmer by growing better calves, the public by making more milk available in the market and the company by adding another profitable item to its line of products; Aralac, the textile fiber and many industrial and commercial products produced from casein. As National Dairy expects a great many more things from research it has been expanding the research staff and facilities. Over a long period of years the company has paid conservative dividends, reduced senior securities and increased working capital.

Decca Records, Inc. Sales Gain

A smaller company than the others in this list of units with higher earnings trends, Decca Records, Inc. nearly doubled sales in 1946 to $30,675,000. The company has an unusual sales record of an increase each year of its twelve-year history. The consolidated balance sheet of this phonograph record manufacturer and its distributing company showed a marked increase in net property account (after depreciation) from $1,300,000 in 1945 to $2,538,000 in 1946 as facilities were added to handle the increasing business. The investment in property, and transfer to current liabilities of $334,000 loans payable, resulted in a decrease in net working capital of $388,000. The loan payable of $667,000 and other current liabilities, aggregating $7,336,000, against current assets of $8,824,000, might prevent an increase in the 25c. quarterly dividend. Moreover, current liabilities included Royalties Payable of $1,600,917. While this company remains in the list for its sales and earnings trend, a cautionary attitude toward the stock is suggested because of the financial condition revealed for last year.

Markets Are Broadening

The complete change in the textile industry is well demonstrated by the Burlington Mills Corp. Other companies, about twenty-five years ago had operated high-cost plants principally in New England, and struggled to make goods profitably from cotton. This commodity was subject to wide price fluctuations and had to be sent to them, of course, from the southern plantations. In contrast to the manufacturing methods of those days, Burlington Mills has made steady progress through integration of manufacturing largely in North Carolina and also in other states including Tennessee and Virginia near rayon and rayon yarn producers as well as cotton (used to a smaller extent). Manufacturing, and merchandising of finished products is under one management. Steady progress has been made for twenty-two years, and the more recent years of this period have been noted for the marked increase in the use of rayons, rayon staple fibers and nylon in four fields—wearing apparel, home furnishings, ribbon and hosiery. Burlington provides one complete source for to-day's buyers through its fourteen hosiery plants producing the latest design, quality and sheerness in ladies' nylon full fashioned and seamless hose, men's rayon, wool and cotton socks and cotton anklets for children. Fabrics for wearing apparel constitute its largest item of production and fabrics for the home another important part.

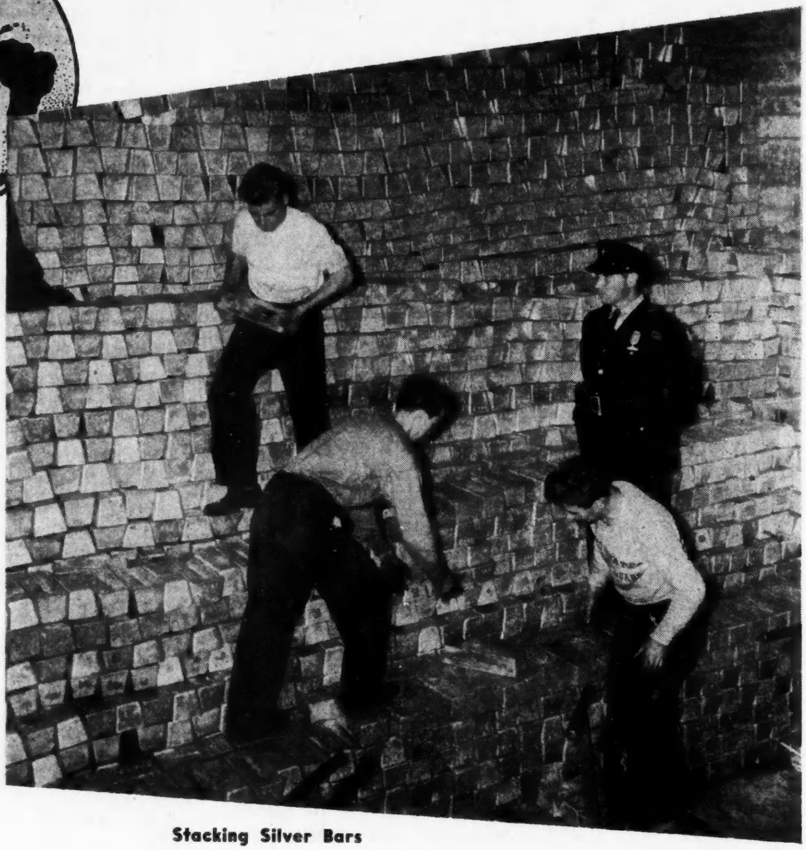
Denoting its usual progressive policies, Burlington started in 1940 to develop its own spinning department to provide yarns from rayons, staple rayon fibers, cotton, wool, and blends of fibers. Thirteen plants now spin over fifty million pounds a year, used principally in the organization's weaving plants. Through the acquisition of General Ribbon Mills and affiliated companies a year ago, Burlington became the largest producer of ribbon in the world. This narrow fabrics production was extended recently to the elastic field through the acquisition of Everlastic, Inc., prominent in this field. In the last fiscal year ended September 28, 1946 other plants were acquired, and approximately 375,000 square feet of space was added to present plants, new machinery and other facilities were installed. Capital for this program was provided through the successful sale in the last fiscal year of 50,000 shares of 3½% cumulative preferred stock, par $100, and 100,000 shares of 3½% convertible second preferred stock, par $100 (convertible at present into four common shares). In July 1946, the outstanding common was split on a two-for-one basis, and at the end of the year 3,448,820 shares of $1 par value common stock were outstanding. In the last fiscal year excess profits taxes were paid, elimination of which has saved the company nearly 50c. a share of common stock. In the last annual report, issued December 31, 1946, the president of the company said that with the greatly increased volume and diversification, the company's earnings should continue well in excess of the current dividend ($1.17½) even if conditions should develop that might hold manufacturing margins down to the average level of (*Please turn to page* 50)

☆ ☆ ☆

WHAT FUTURE FOR SILVER?

Evaluating the Three Unknowns.

By V. L. HOROTH



Stacking Silver Bars

SILVER HAS fluctuated widely since October 1946, the last time we discussed it in these pages. One might almost characterize its recent gyrations by paraphrazing the famous Finnegan lines: "Up again, down again, up again." Why are we returning to the discussion of the silver situation? The importance of silver lies in its being used as a store of wealth in the East and in Europe, and in its being a monetary metal in the United States. It could play an important part in the stabilization of currencies. As a matter of fact, a group of countries, including the United States and Mexico, has been urging the International Monetary Fund authorities to consider silver in their currency stabilization plans by encouraging its use as money and by discouraging further demonetization.

Photo by Press Assoc.

Clash between Hindus and Moslems would be bullish for silver as it would cause hoarding of that metal

Unfortunately the wide fluctuation of silver prices is a poor recommendation for the monetary uses of silver. If silver is to be useful as a money metal or a store of wealth, its price must be *stable* rather than *high*. That is something that its political well-wishers somehow have failed to understand. The great demonetization wave that followed the passage of the Silver Purchase Act in 1934, was primarily due to the simple fact that the silver-using countries preferred U. S. dollars to a metal which was then obviously overvalued and the price of which was too dependent upon political considerations.

The opportunity to sell silver at a high price and the need for dollars are probably the main reason why the remaining monetary reserves of silver are being thrown on the market at present. This new wave of silver demonetization is one of the imponderables in the current silver situation. The other two are the outlook for silver consumption in the United States and the reaction of the Bombay silver market to the future political developments in India. A freer flow of silver from one market to another, brought about by the relaxation of import and currency controls, is another important factor in the current silver situation. With the gradual breakdown of the barriers which during the war

insulated the New York, London, Bombay, Cairo and other silver markets from each other, the wide price differences should gradually narrow in the future.

The Weakening of the Sellers' Position

When we published our last story on silver, the sellers appeared to be still in a strong position. Silver was selling near the Treasury's buying and selling price of 90.5 cents an ounce, and the trade opinion was that the price might go even higher. The U. S. consumption of the metal was running at the annual rate of about 120 million ounces and it was expected that it would remain at that level for at least two years before the backlog of orders was satisfied. The threat of secondary or demonetized silver being unloaded on the market did not seem particularly serious, since the metal appeared to be strongly held. Meanwhile the U. S. Treasury, undoubtedly inspired by the Silver Bloc in Congress, also helped to bolster up the silver situation by setting aside 100 million ounces of the so-called "free" silver for coinage purposes. This left the "free" silver in the Treasury on which the U. S. processors could draw in case of need under the provisions of the Martin Act, at less than 100 million ounces.

The principal reason for the change of sentiment was apparently the announcement by the British authorities in September that they would withdraw silver subsidiary coin from circulation and replace it with cupro-silver coinage. A few days later, Indian authorities made a similar announcement. The outstanding British silver coinage contains about 220 million ounces of silver and the Indian about 370 million ounces. In either case, however, only a part of the above amounts would be realizable, and over a considerable period of time.

The true import of the British and Indian actions was not fully realized until early in December, when the first British silver was offered in New York. This upset the market. London, which usually was a buyer of silver (for coinage and the use in British arts and industries), suddenly became a seller. Before long, the nervous holders of silver were stampeded into unloading their metal on the market. Both New York and London became flooded with offers from China, Hongkong, Spain, France, Czechoslovakia, Egypt, and Persian Gulf ports. A considerable quantity of Russian silver appeared in London, while in New York the metal held in this country by speculators in anticipation of higher price appeared on the market.

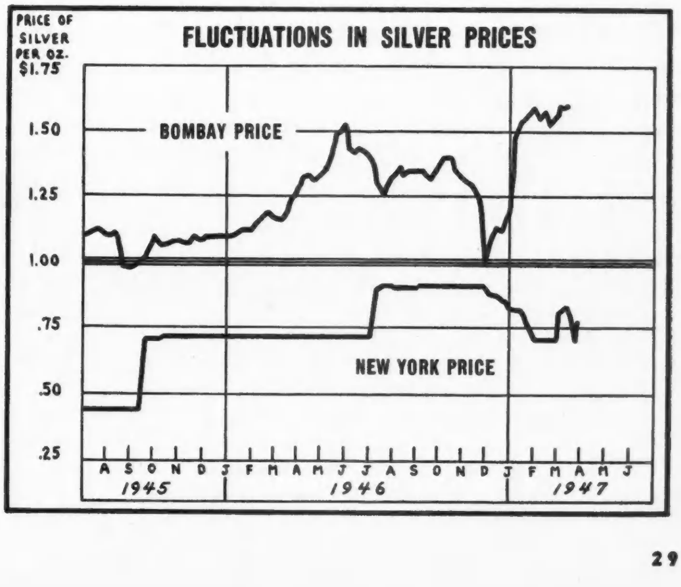
Thus instead of going up, the price of foreign silver lost ground, and by mid-January it was down to the Treasury's old selling price of $70\frac{3}{4}$ cents an ounce which was in effect until June 1946, as will be seen from the accompanying chart. The price of domestic silver remained, however, at $90\frac{1}{2}$ cents, the level at which the U. S. Treasury buys the newly mined metal. The change in the buyers' attitude also contributed to the decline of the price. The processors who bought heavily earlier in the year to replenish their exhausted stock, became conservative buyers when, following the stock market decline in October, a price weakness developed in such luxury commodities as furs, platinum and diamonds.

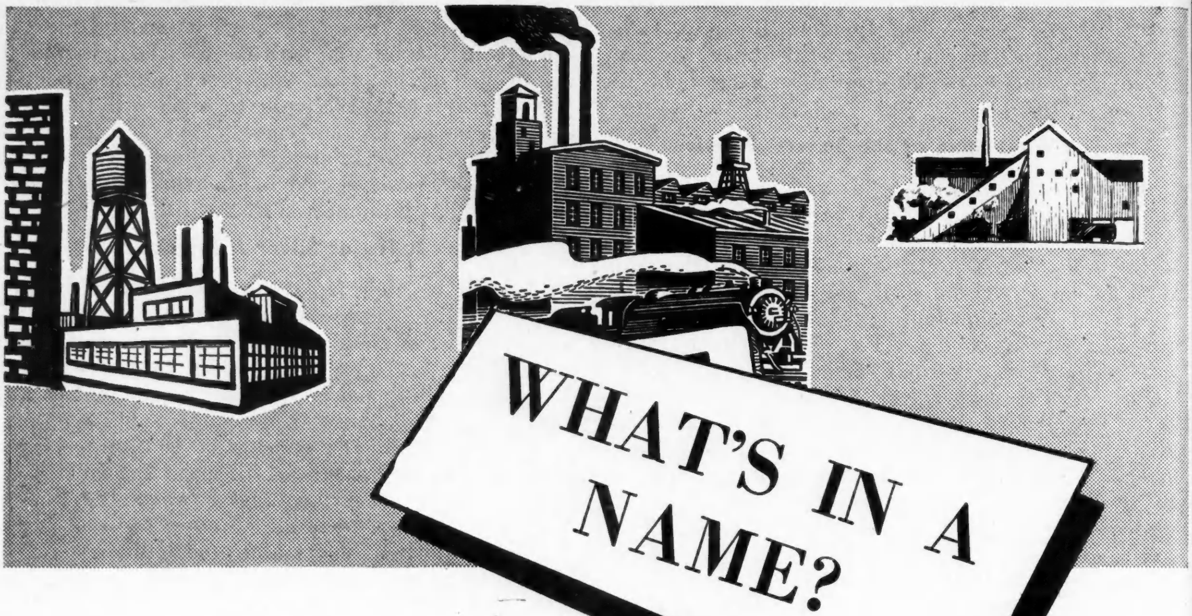
A Try at Silver Arbitrage

As will be seen from the accompanying chart, early in March there occurred a short-lived flurry in silver prices that within a few days took silver from $70\frac{3}{4}$ cents an ounce close to the 9.5 cent Treasury selling price, and back again. The flurry was brought about by an ingenious arbitrage operation as a result of which the Indians acquired about 12 million ounces of silver in the New York market. The flurry collapsed when the Indian Government suspended the issuance of licenses for private imports of silver and gold bullion.

The arbitrage operation, centered in Belgium, was invited by the nearly 70 per cent premium between the New York and the Bombay silver prices; it was made possible by the relaxation of Indian currency control and import regulations. As has now become apparent, its main purpose was to obtain cheap pound sterling which the Belgians used in payment for their imports from Great Britain. By buying silver at the equivalent of about $3\frac{1}{2}$ shillings (70 cents) per ounce in New York and selling it for 6 shillings ($1.20) in India, the operators were able to convert their dollars into sterling at the rate of about $2.8 to the pound. Had the operations not been interfered with, the gap between the New York and Bombay prices would have narrowed and eventually the premium would have disappeared.

Silver arbitrage operations raised several problems. For India the buying of silver through private operators in New York was tantamount to accepting repayment of a part of its huge sterling balance at a loss of (*Please turn to page* 59)





WHAT'S IN A NAME?

By
EDWIN A. BARNES

SHIFTS IN THE NATURE cf corporate activities over the years, or steps taken to achieve diversification, have often resulted in operations broadly disassociated with their names. While the circumstance has little or no meaning from an economic or financial viewpoint, an unsophisticated investor fancying that his dividends are derived from sale of beer might be intrigued to learn that to some extent he really is the oil business, for example. In the current flux of the industrial set-up, such disparities have become increasingly plentiful. In contrast to the foregoing, many a management has moved to change a corporate name for one reason or another, although its output has not varied at all, nor has any merger occasioned the new title. Hence if only as a matter of passing interest, the subject of business nomenclatures seems worthy of brief discussion. What's in a name?

It would be surprising if innocent old timers bent on travel did not frequently telephone Adams Express Company to call for their trunks. When informed that they must ring another number, for the company was not in that business at all, their astonishment would be sincere. Fact is, of course that since 1918, when Adams Express sold its domestic express and money order business to what is now The Railway & Express Co., the company has evolved into a sizable investment trust, with some $50 millions of assets widely spread over dozens of industrial concerns in different fields. While through substantial holdings in American International Corporation it still has an indirect interest in the express business, its main functions are as bankers.

For decades past the reputation of General Mills Corporation, dominant factor in the production of flour, has been built up with housewives, largely through its Gold Medal brand. During war years, however, General Mills found that it could help the war effort by utilizing its machine shop for the production of gun sights and torpedo directors. Success in this direction stimulated the management to broaden the activities of its Mechanical Division with an eye on production of home appliances in postwar. As a result, by mid 1946 the company introduced its new TruHeat irons and was turning out these streamlined items at the rate of more than 1500 per day. When full production was achieved, the monthly schedule was expected to reach 80,000 irons. But this was only a starter, for General Mills is also manufacturing graphic arts machinery for printers, can making equipment, and is just ready to offer a line of modernized pressure cookers. Before the year is out a coffee maker, too, will be on the market. Hence through production of durables, a noted flour miller has gone far afield in expanding its activities, although its name does not reveal the step.

In reverse to General Mills, one of our leading makers of paints and varnishes has focussed its diversification aims upon the field of food products. To the uninformed it might seem strange to find old established Glidden Company turning out soya bean flour, meal and oil, protene hormones and the like, including margarine, Worcestershire sauce, spices and shredded cocoanuts. As it happens, despite the company's large sales of paints, an almost equal volume of edibles for humans, cattle and poultry swells the total. This transition was somewhat of a "natural," resulting from research in the production of linseed oil and thence into the development of edible oils. But a consumer seeking material for a salad could not be expected to look

to Glidden offhand for a supply, nor would he find it in a paint store, probably.

Way back in 1850, Pennsylvania Salt Manufacturing Co. depended for a livelihood upon the product which its name implies. But long, long ago it expanded into other fields in the realm of chemicals; now the major portion of output consists of heavy chemicals such as sulphuric, nitric and other acids, ammonia, soda ash and chloride of lime. With such a proud dividend record, unbroken since 1863, it is by no means surprising that this strong concern has retained its original title, regardless of what changes have occurred in its operations. As long as its thousands of industrial customers know the full scope of its activities, which they most assuredly do, that is all that really matters.

If the reader were asked to name the three top ranking producers of paint in the country, in point of size and volume, it is possible that many would have difficulty in supplying the correct answer. Offhand, and quite properly, Sherwin Williams and du Pont would come to the mind of most guessers; but how about the third one? Those who hit upon Pittsburgh Plate Glass would undoubtedly be right in their surmise, although the name alone would hardly indicate the circumstance. This largest domestic producer of plate and window glass enjoys a very large business in its numerous special and widely advertised paint brands. Production of these items on a large scale has been logical because paint stores generally feature glass as well, thus encouraging distribution of the dual line.

A good many less well informed investors might jump to the conclusion that, with the advent of peace, an outstanding producer of explosives like Hercules Powder might experience tough sledding in seeking an adequate outlet for its wares. Although such a surmise might be considered reasonable, it so happens that the same thought occurred long ago to this alert concern. Indeed, the company managed to sell more than $100 million of its products in 1946, but about 80% of them consisted of cellulose items, synthetics and heavy chemicals. Of 35 plants operated now by Hercules only 8 are used for production of explosives, a clear indication of how its business has been widely diversified to stabilize sales and profits. While the company at all times can furnish blasting powder or explosives, as its name implies, its main activities point in a very different direction.

Ask the average person what concern at present is responsible for production of the most horsepower in the way of Diesel powered locomotives, now enjoying a big wave of popularity with the railroads, and rather naturally his thoughts might flutter between American Locomotive and Baldwin for a choice. Wrong again, at least technically. While ALCO was first in the field back in 1925 to develop Diesel power for locomotives and since then has turned out quantities for the roads, The Electro-Motive Division of General Motors at present holds the banner for sales of the 6000 h.p. giants becoming increasing in use for hauling long distance freight and passengers. How long GM will continue in this dominant role remains to be seen, for both ALCO and Baldwin are making rapid headway in this heavy horse-power field. But the current GM status may surprise some people not well posted, for casual estimates would not offhand tend in the direction of the big automobile manufacturer. As it happens, this company not long ago had $100 million in orders on its books from 30 railroads for the new giant engines, according to reports. Its diversification into the manufacture of refrigerators and other products is perhaps better known.

QUIZ YOURSELF

—then read the answers to these and many other questions in this novel article

1. What flour mills make electric irons?
2. Which paint company produces margarine?
3. Heavy chemicals are the chief product of what salt company?
4. What glass company is a top-ranking paint producer?
5. Which concern has the biggest sales of railroad diesel locomotives?
6. What boat manufacturer makes printing machinery and pin machines for bowling alleys?
7. Barrels and aircraft are built by what rubber company?
8. Which fireproofing firm makes bookcases, safes, store fixtures?
9. What aviation company produces stoves, sinks, farm implements?
10. Which railroad gets big revenues from its oil wells?

If a prospective buyer of printing machinery or airplanes were to thumb a business directory in search of a possible supplier, the chances are that if he were not well informed, he would hardly select Electric Boat Company. Yet this well rated maker of submarines and pleasure craft is using its accumulated profits to branch out substantially in both of these new fields. And this is not all, either, for the company can also supply automatic pin machines for bowling alleys or "packaged steel" for bridges and small buildings. As for airplanes ELCO has recently leased "Canadair," a concern that manufactures "North Star" transport planes for Trans-Canada Airlines and the Royal Canadian Air Force. In view of such a large and varied family of subsidiaries, there is sound reason for Electric Boat to stick to its established name.

Flexible shafting widely used by makers of automobiles, aircraft, radios and recording instruments is supplied on a large scale by a leading manufacturer of dental equipment, S. S. White Dental Manufacturing Company. The business in the dental field was started more than a century ago, growing to substantial proportions as time went on. Experience in making flexible tubing for the dentist proved valuable when industrial demand sprang up for similar products, to which the company wisely and rather easily adjusted its schedules. But here is hoping that the next time the reader turns on his radio or rides in his car, it

awakens no memories of a dentist's tool.

Firestone Tire & Rubber Company has used part of its accumulated earnings to branch out as a manufacturer of various steel products. Among these are such items as stainless steel barrels, wheel rims, stampings, airplane wheels and brakes. Quite aside from what it produces itself, it retails a wide variety of radios, sporting goods, toys, paints and home appliances in its 656 company controlled stores. For the last four years, also, it has been operating an airplane plant in Pennsylvania. All of which tends to show how in the course of long experience a steadily growing concern finds it expedient to branch out into forms of industry far remote from its original aims. To attempt to adjust its name to keep pace with all these changes would be both impractical and unwise, for its long established title is a most valuable asset.

While Food Machinery Corporation still centers its activities rather rigidly in the field of equipment for growing and processing food products, the range of its output has become so broad that its original plans would be hardly recognized. Starting as a manufacturer of mechanical sprayers, the company now makes sterilizing machinery, automatic packing machines, fruit pitters, fire fighting equipment, insecticides and small tractors, to mention only a few items in a long list. Rentals from leased equipment to color oranges, extra juices and to can milk, too, now add substantially to the company's sizable revenues.

General Fireproofing Company now does a large business along lines not envisaged at the time of its incorporation in 1902, when it was formed to succeed to the International Metal Lath Co. This concern is now primarily a manufacturer of steel office furniture, filing cabinets, safes, bookcases and store fixtures marketed under the trade name of G. F. Allsteel. Although these items are non-combustible, to be sure, the company's name would suggest activities more nearly related to construction work, as at first was the case.

One large concern which struggled along for a decade prior to the war as an important unit in the aircraft and airline industries is the former Aviation Corporation, which has just voted to change its name to AVCO Corp. While AVCO still has a good sized stake in the aviation field, through its Lycoming Division and a 26% interest in Consolidated-Vultee Aircraft Corporation, it has vastly widened its activities in several wholly unrelated enterprises. Shipbuilding, radios, refrigerators, broadcasting, kitchen sinks, ranges and farm implements are produced by subsidiaries of AVCO and on a large scale, although the company's name would give no hint of such widespread diversification. Naturally enough most of the products involved are sold under the name of their individual manufacturers, but none the less Aviation Corporation is the main beneficiary and guiding hand.

The banana business has been dominated for so long by United Fruit Company that unless one probed into the operations of this concern, sight might be lost of a number of large interests the company holds aside from fruit. As a steamship operator, of course, it has become famous through its "Great White Fleet" of steamers plying to and from the Caribbean. But not everyone realizes that United Fruit owns some 25,000 cattle, 17,000 horses and mules, has invested more than $18 million in sugar mills and refineries, $37.5 million in railways and trams and owns land akin to the area of Connecticut. All this under the aegis of an ostensible fruit concern.

Under the pressure of wartime emergencies, Dow Chemical Company pulled some patents and processes out of its versatile laboratories and became a major factor in the production of magnesium metal from sea water. Although Government-built plants have created a huge excess capacity for this light material in relation to normal demand, many experts in the non-ferrous metals industry are predicting a very large expansion in its use. With steel supplies in the scarcity class ever since VJ Day, magnesium alloys have leaped to the front as a very practical substitute in the manufacture of numerous durables and its competitive potentials are becoming increasingly bright. Dow's experience in the field gives the company a strong lead in the race now well under way. Given time, the chemical company may find itself doing a very large business in an unrelated field, as it is already on the way to accomplish.

To pick the leader in the photographic industry, all hands would at once select Eastman Kodak without a dissenting vote. And when our readers learn that Eastman's net earnings last year amounted to some $35 million many might rationally suppose that sales of cameras, films and related items were wholly accountable for the excellent volume and profits achieved. But in recent years Eastman has been branching out in a big way into the field of plastics, through the Tennessee Eastman Corporation. While the company in making reports does not disclose what portion of its earnings now stems from plastics, it is believed to be very substantial. Indeed, some of the company's competitors think that profits from plastics now account for nearly half of the parent concern's total earnings. Be that as it may, buyers of plastics in one form or another are now doing a sizable business with a camera maker.

Union Pacific Railroad Company derives important revenues from sources other than freight and passenger service. Many people scanning the alluring advertisements of winter sports in Sun Valley, for example, are unaware that this famous enterprise is owned by the Union Pacific. About ten years ago, also, this road went in the oil business on quite a scale in California and at the end of 1945 had 384 producing wells. From sale of 10.7 million barrels of crude in that year, the railroad realized a net income of $6.1 million, equal to almost 20% of its net railway operating income, quite a feat for a transportation specialist.

Early in our discussion we mentioned a trend to change corporate names for reasons other than combinations or shifts (*Please turn to page* 54)

Weighing Outlook for SOFT DRINK COMPANIES

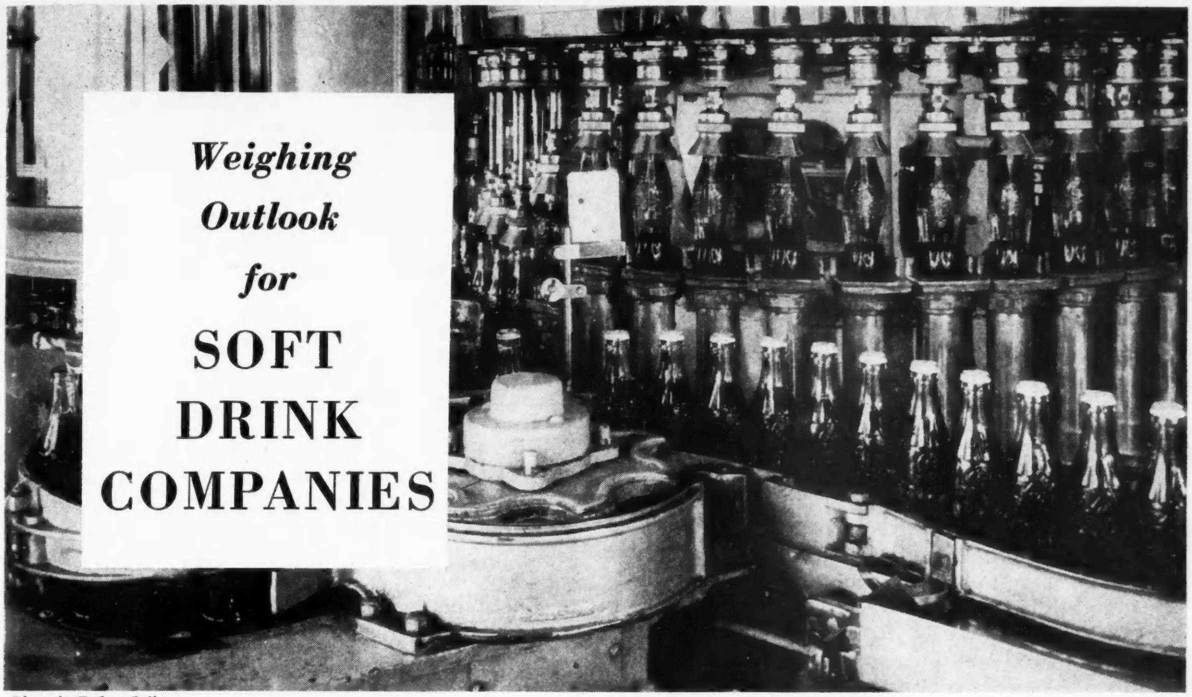


Photo by Ewing Galloway

By C. F. MORGAN

AS THE CARBONATED BEVERAGE INDUSTRY enters its seasonally most active period, it faces happier conditions than have prevailed since before Pearl Harbor. A turn for the better began last year in the soft drink field; but earnings of the companies did not come up to the expectations that were indicated early in the year by speculation in the shares which carried prices to a level far above industrial stocks in general. The subsequent decline has placed the group in a more reasonable market position. Therefore, a study of the industry is warranted in order to determine whether the position of the shares justify employment of funds at this time.

Coca Cola, Pepsi Cola, Nehi (maker of Royal Crown Cola) as well as the Dr. Pepper Company have somewhat similar methods of distribution. The syrups are shipped to independent, franchise bottlers, or jobbers in specific localities and are there bottled and supplied to the surrounding territory. This avoids handling of the bottles by the parent company and saves the otherwise prohibitive cost of sending the bottles long distances. Likewise it aids in meeting local competition. The principal company is therefore able to concentrate upon advertising and sales promotion. C. E. Hires in addition to selling bottles, also operates 13 bottling plants of its own, approximately 95% of the bottled soft drink is carbonated water and the balance is sugar and flavoring.

Sugar Supply Increasing

One of the more important ingredients is, of course, sugar. During 1942, rationing brought home the fact that supplies were short. However, supplies were not severely restricted until the close of 1944. In 1945 and 1946, industrial consumers, including the soft drink companies felt the pinch. As recently as the first quarter of last year the quotas were only 50% of 1941 consumption. But, this was raised to 60% in the second quarter of 1946 and to 75% for the second quarter of 1947. Thus, supplies are becoming more plentiful.

Government controls, or the quota system in effect in the United States, was extended on July 27, 1946 and will not expire until December 31, 1947. The quota system was provided in the Sugar Act of 1937 which conceivably could be allowed to lapse under satisfactory conditions of the domestic sugar industry. At least, it is likely to undergo extensive revision during the present Congressional session.

Long-Term Sales Trend Upward

Few industries have made consistent gains in sales and operating income in the prewar years, 1934 to 1941. This was accomplished, however, by three soft drink companies in this eight-year period, as shown by an index of this group. Demand for beverages was increasing and widening so rapidly before the war that resumption of this trend is not to be denied in the post-war years as soon as sugar for unrestricted production again is available. In the five years through 1941, sales more than doubled and while operating income also was over twice that of 1936, rising taxes held the gain in net income to approximately fifty per cent. A major factor in these gains was in sales for home use and this division should afford a wide field for further expansion. During the war industrial plants ab-

Statistical Highlights
Leading Soft Drink Companies

	Net Current Assets* Per Share	Net Per Common Share 1938-41 Average	1942-45 Average	1945 Fiscal Year	1946 Fiscal Year	Dividend Paid 1945	Dividend Paid 1946	1946-47 Price Range	Recent Price	Dividend Yield	Price Earnings Ratio
Canada Dry Ginger Ale	$3.68	$.61	$.81	$.78	$1.07	$.33⅓	$.31⅔	18 - 12⅞	$15	2.1%	14.0
Coca Cola	13.85	6.58	5.66	5.67	5.73	4.00	4.00	200 -130	154	2.6	26.9
Dr. Pepper	3.30	1.28	1.58	1.40	1.73Se9	1.20	1.20	48 - 25½	28	4.3	20.0†
Hires, Charles E.	7.30	2.09(a)	1.95	1.50	1.50	1.20	1.20	41½- 21⅞	25	4.8	16.6
Liquid Carbonic	7.55	2.14	1.89	1.91	1.38	1.50	1.00	43¼- 23½	25	4.0	18.1
Nehi	2.49	.91	.92	.84	1.37	.50	.65	32¾- 18¾	22	3.0	16.0
Pepsi Cola	1.49	1.02	1.04	.90	1.09	.83½	.90	40½- 21½	28	3.2	25.8

(a) 1940-1 Average. * After provision for senior securities.
† Based on 1945 Fiscal Year Net.

sorbed as much as twenty per cent of total output, and a further attempt is being made to develop the market provided by the wage earner. Also added expansion is likely by the Coca Cola Company through automatic vending machines. The latter are placed in restaurants, schools, offices, filling stations and other sales outlets.

Some concern may be felt, at least with respect to higher priced consumer goods, that consumer expenditures might not continue for an extended period at the peak levels evident in the closing months of 1946; but makers of cola drinks need not share in such concern as the industry is depression-resistant. In other words, times would have to be very hard to force the average individual to forego his cooling cola drink. Moreover, it is a habit that some people were forced to curtail due to short supplies in recent years, and will be happy to renew to the fullest extent.

The Coca Cola Company has, of course, made an exceptional record in the group of soft drink companies. But, the price of the stock at nearly 27 times last year's earnings and the indicated yield of less than 2.6% are also exceptional premiums to pay for the record. While working capital increased by more than $29 million in the six years ended in 1945, it still is little more than $7 per share, after deducting the Class A preference stock. The company has enjoyed practically world-wide sales for many years.

Filling and weighing the 55-gallon barrels of Coca-Cola Syrup to be shipped to bottling plants to meet tremendous consumer demand

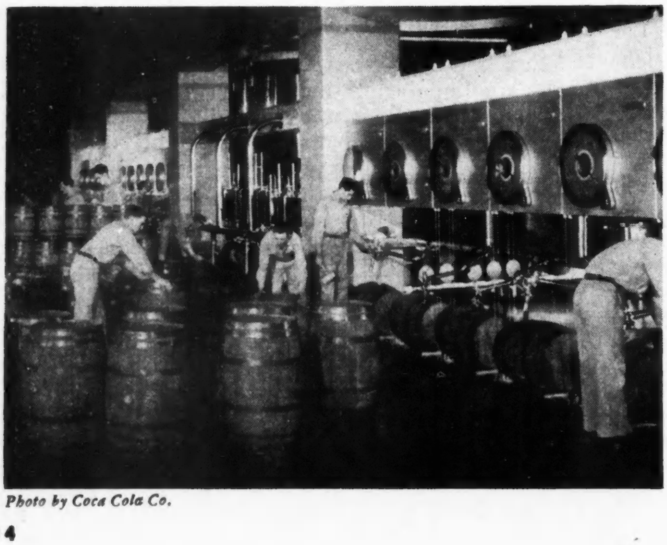


Photo by Coca Cola Co.

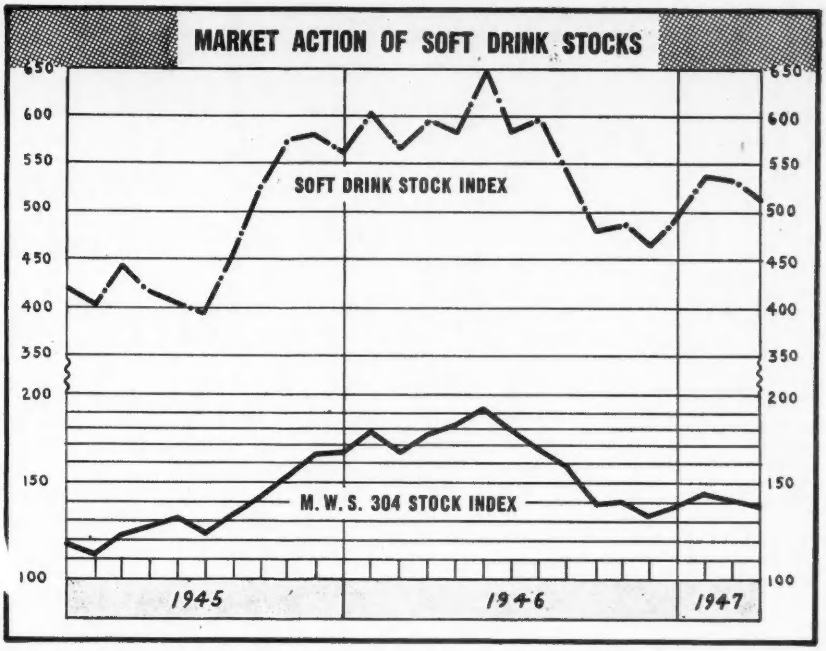
Developing Business In Hot Climates

The industry is not satisfied with the large market provided by United States and substantial foreign consumers, but is adding to distributing facilities in Central America and the northern part of South America, a logical territory due to its hot climate. The Liquid Carbonic Corporation, leading maker of bottling machinery and carbonic gas, —basic equipment for this industry, as well as dry ice and other products, started operation this year at a carbonic plant in Caracas, Venezuela, expects to complete a plant in Medellin, Colombia in the summer of 1947, a new carbonic plant in Mexico City before the end of this year and one in Rio de Janeiro, Brazil in 1947 or early in 1948.

Further Details About Liquid Carbonic

Liquid Carbonic is one of the more inspiring companies and its operations extended, before incorporation in 1926, back to 1888. The annual reports carry tabulations of income account items back through the fiscal year ended September 30, 1927. During the twenty-year period operations have been profitable, and substantially so, in every year with the single exception of 1932, and substantial dividends were paid each year except 1933. It enjoys the kind of credit shown by the December, 1946 bank loan arrangement whereby it may borrow up to $5,000,000 at interest rates of 1½% for the first year, 1¾% for the second and 2% for the third year, with a privilege of converting at maturity into a long term loan repayable in instalments over the next seven years. It borrowed $1,000,000 in February, 1947. Moreover, stockholders were given rights January 10, 1946 to subscribe at $100 to $7,281,000 of 3½% preferred (convertible at $40 per share). Thus, the conversion price, which would require 182,025 shares, over the outstanding 728,100 shares

is far above the present market of 24. Another sound policy was to provide restrictions upon common dividends in order to protect the preferred, even though in the unsettled period early in 1946, common dividends were suspended June 1 and September 1. In addition to earnings shown in the table, which were made in the last two quarters of the 1946 fiscal year, earnings were 29c per share in the seasonally low December, 1946 quarter.



Diversification is enjoyed. Carbonic products are used as oxy-acetylene and other industrial and medical gases. This division will increase its business through expansion and additional plants here as well as those mentioned south of the Mexican border. Durable goods are those mentioned earlier, and including soda fountain equipment, ice cream cabinets and, with prospects of becoming important, it has added the production of FROSTAIRS home freezer units at a large new plant with provision for expansion, just completed in Morrison, Ill. The first units were shipped in November, 1946. An equitable agreement had been made in 1945 with the Froster Division of General Tire & Rubber Co. to distribute, with participation in the responsibility and profits shared by both producer and distributor.

Food freezers have caught the imaginations of Americans, particularly on the farms where quantities of fresh foods can be stored and are available out of season. Freezers and frozen food lockers have also caught hold among other home owners and apartment dwellers. In the latter, an important number of food lockers provide dependable service. The industry is new in its present expanding form of home freezers, but is growing so rapidly that the public is being instructed in home interest studies as to the appropriate type of unit to buy. Obviously, a dependable manufacturer experienced in equipment of this general type, such as Liquid Carbonic, is the logical one to be favored in the competitive struggle.

Canada Dry Ginger Ale, Inc., one of many stocks favored in the 100 LOW PRICED STOCKS in the March 29, 1947, issue of THE MAGAZINE OF WALL STREET does not fall within the classification of companies engaged largely in producing soft drinks of the cola type. However, it has a good record, and should enjoy prosperity during the period of high consumer demand. However, we must not lose sight of the fact that it has an issue of convertible preferred which if all converted at the current rate of 7½ shares of common for each share of preferred, would increase the common shares by 375,577 to 2,275,588 shares. The only possible adverse effect on the common might be a tendency to restrict appreciation in the shares. Conversion would reduce earnings on the common by only about 7c per share, so that in the event of a very strong stock market conversion would be absorbed and the stock easily appreciate.

Dr. Pepper, one of the oldest companies in this field, is best known in the southern states of Missouri, Texas and Alabama. However, distribution is through 37 states by more than 400 franchise bottlers and about 1,000 jobbers. Regular dividends have been paid since 1930, together with extra dividends in eight of these years.

Pepsi-Cola, also long established, was not well known in the securities markets until the late 1930's when it merged with Loft, Inc. and the organization carried the present title. But in 1939 the candy business was segregated into Loft Candy Corp. Since then, Pepsi-Cola has operated through wholly-owned subsidiaries supplying over 500 franchise bottlers in the United States and many franchise operators in Central and South America, the West Indies, Africa, Asia and U. S. territories. The company attained earnings of over $9 million in 1941, a peak which it doubtless is striving to reattain or even exceed for its 5,752,004 outstanding shares.

Nehi, incorporated in 1928, popularized the "Royal Crown", its largest selling drink, beginning in 1935. Products are distributed in the usual manner of franchise bottlers, and at last reports had larger sales than those of Dr. Pepper. Distribution is in the United States, Puerto Rico and the Hawaiian Islands.

Profit Margins Remain Satisfactory

The cola companies aim to increase consumption in the United States from the 140 bottle per capita level that prevailed in (*Please turn to page* 54)

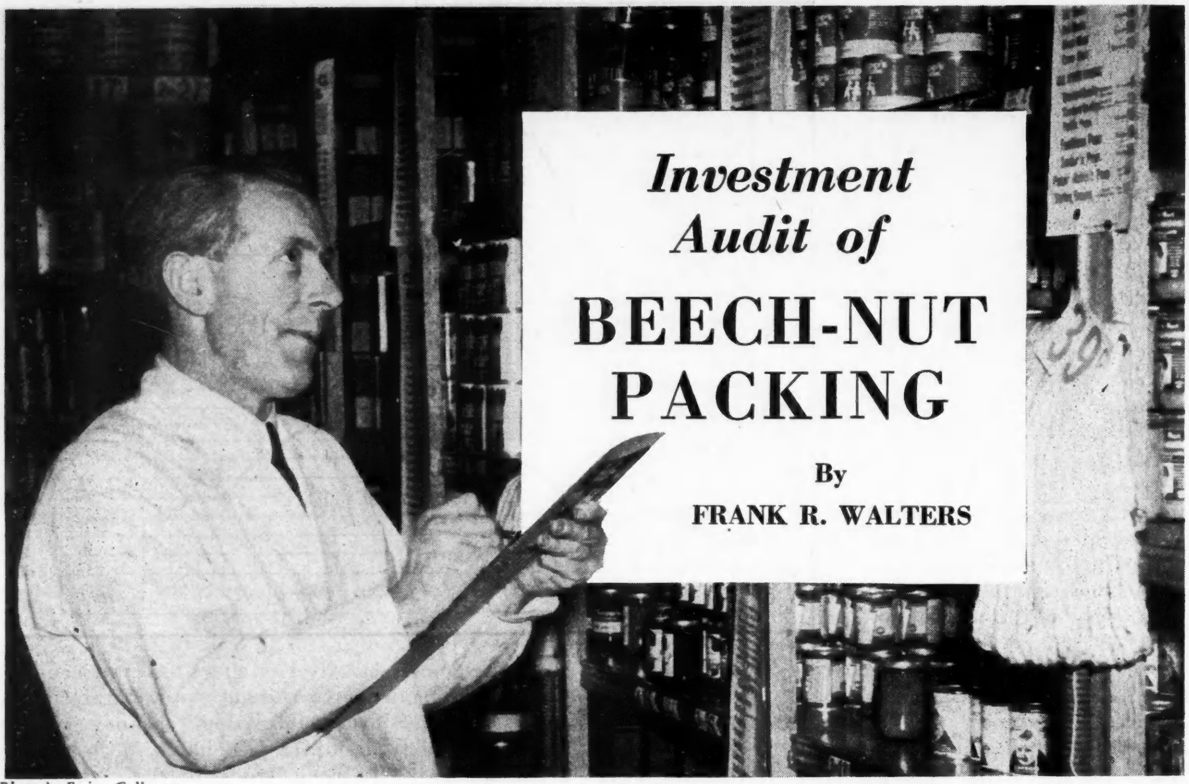


Photo by Ewing Galloway

Investment Audit of BEECH-NUT PACKING

By

FRANK R. WALTERS

A NOTABLE CHANGE has taken place in a policy of the Beech-Nut Packing Company which is indicative of the trend of the times. For a long period of years this well-established packer of food products and maker of chewing gum, had operated without obtaining additional capital either by borrowing or through issuance of additional stock. During 1946, however, notes payable were contracted and at the close of the year $5,500,000 were outstanding. Early in 1947 these short-term bank loans were liquidated and replaced by a long-term financing program involving borrowings from an insurance company and several banks in the amount of $9,000,000 with maturities spread over twenty years. Expansion is the keynote of to-day's operations of many companies, and Beech-Nut Packing has joined the parade of companies obtaining additional working funds.

The larger needs of the business were apparent in the last balance sheet as total inventories increased over 1945 by nearly $4,000,000 to $18,013,000, and property additions during the year were stated to have cost $2,086,568. Construction was begun early in 1946 of a large plant at San Jose, California to add to the company's capacity to produce strained and chopped foods for infants and small children.

Increase Of Production Facilities Is Wise

The site for the California plant was acquired in 1945 when the company recognized the increasing demand for baby foods and began the expansion program in that division. Birth registrations in the United States had reached an all-time high of 2,513,427 in 1941, hovered around the 2,300,000 level from 1942 until 1945; and not only did births increase nearly 9% for the first nine months of 1946, but the birth rate in September, 1946 was the highesst for any month in history. Before the war the company discontinued output of tomato products and biscuits for grownups and increased the capacity for children's foods at the main plant in Canajoharie, N. Y. These products are sealed in glass jars and include many varieties of vegetables, meat combinations, soups, deserts and fruits. One of the early products was peanut butter which, though it has many competitors in the markets, is popularly regarded as probably the best brand. As with their other products, the consumer is assured of top quality. The company has long been a packer of coffee, principally at its Brooklyn, N. Y. plant and also in Rochester, N. Y.

Chewing Gum

Another major division is the manufacture of chewing gum. This includes the popular Beech-Nut Chewing Gum in peppermint and spearmint flavors and "Beechies," a candy coated gum in several different flavors. The demand for chewing gum is relatively depression-proof because of the low price and the sustaining influence of habit. Sales have shown an upward trend since 1936 and gains by Beech-Nut (and also by American Chicle) have been particularly sharp, reflecting improvement in trade position at the expense of Wrigley, the largest producer. Beech-Nut gum sales index gained consist-

ently from 100% in 1939 to 184.7% in 1944. Although a sugar shortage occurred in 1945, the decline in Beech-Nut sales was only slight, and the index stood at 181.5% for that year. There was an increase in gum sales at the expense of Wrigley gum during the war period but this was in a measure due to Wrigley's wartime shortage of chicle. The relative percentage of gum sales accounted for by the largest companies before the war was about as follows: Wrigley, 60%; Beech-Nut 20% and American Chicle 15%. The competitive positions at this time are not reported; but a reasonable guess is that Wrigley may again exert promotional efforts to increase sales, particularly as increasing chicle imports have lifted inventories among gum producers. In any event, profits in the chewing gum division of Beech-Nut at best are likely to be no more than stable as is characteristic of average purchases of this product.

After restrictions during the last two years as the result of the sugar shortage, production now has excellent promise of increasing under the easier sugar supply position. Government sugar quotas were 60% of 1941 production during the first quarter of this year, raised to 75% for the second quarter, and are scheduled to improve further during the balance of 1947 with restrictions likely to be abolished before the close of the year.

Management Policies Conservative

Accounting methods are conservative; in 1942, for example, inventory valuations were changed from the basis of lower of cost or market to the most conservative LIFO, i.e., last in, first out, method of accounting. Another example was the fact that Beech-Nut showed the large value of Other Security Investments at the close of 1945 as a result of sale of 15,000 shares of Hartford-Empire Company stock in 1946 and classifying unsold shares as Marketable Securities among current assets. Marketable securities were carried at cost of $105,750; but market value of $1,571,180 at the close of last year was indicated. Hartford-Empire, through the ownership of certain basic patents and patent rights on automatic machinery used for glass container manufacture is a collector of large royalties. This company is however involved in litigation and for this reason it might not be unsatisfactory that Beech-Nut has reduced its stock interest.

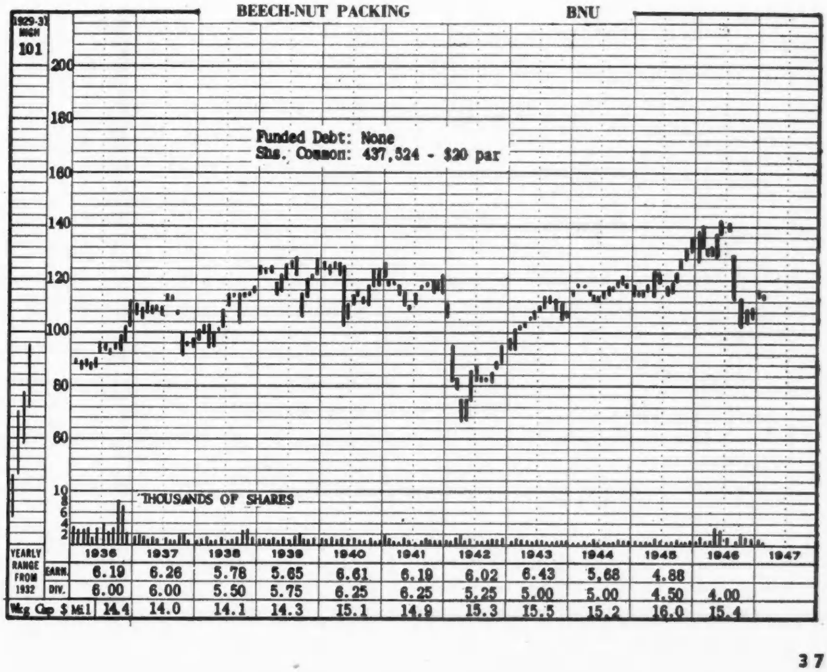
Depreciation charges of Beech-Nut have written down plant and property account to some 51% of

Beech-Nut Packing Co.

ASSETS	Dec. 31, 1940	Dec. 31, 1945	Dec. 31, 1946
		000 omitted	
Cash	$ 5,103	$ 3,490	$ 2,670
Marketable securities	2,102	462	156
Receivables, net	1,421	2,815	3,382
Inventories, net	7,859	14,095	18,013
Other Current Assets	681	1,463	839
TOTAL CURRENT ASSETS	17,166	22,325	25,060
Plant and equipment	8,371	10,099	12,186
Less depreciation	3,749	5,219	5,421
Net property	4,622	4,880	6,765
Other assets	1,090	1,360	986
TOTAL ASSETS	$22,878	$28,565	$32,811
LIABILITIES			
Notes payable	....	....	$ 5,500
Accts. payable and accruals	$ 1,000	$ 1,592	2,232
Reserve for taxes	1,087	4,479	1,732
Other current liabilities	....	215	158
TOTAL CURRENT LIABILITIES	2,087	6,286	9,622
Minority Interest	75	82	93
Reserves	2,038	2,168	2,022
Capital	8,478	8,478	8,478
Surplus	10,200	11,551	12,596
TOTAL LIABILITIES	$22,878	$28,565	$32,811
WORKING CAPITAL	$15,079	$16,039	$15,438
Current Ratio	8.2	3.5	2.6

cost. Such charges in 1946 were $498,693, or approximately 10% of net property account. Conservative policies have provided the company with an excellent financial and operating background to obtain the sizeable loan required at the beginning of this year.

Dividends have been paid without interruption since 1902, and the amounts paid have been substantial each year, even during depressions. There was no change in the $3 dividend on the old stock from 1923 through 1933 and an increase to $3.75 in 1934, to $4.50 in 1935 and (as shown in the chart) to $6 in 1936. The subsequent dividends in relation to earnings, also shown in the chart, have been somewhat liberal until 1946, when $4 was paid, or equivalent to $1.14 (*Please turn to page* 56)



Opportunities...

for Income and Price Appreciation

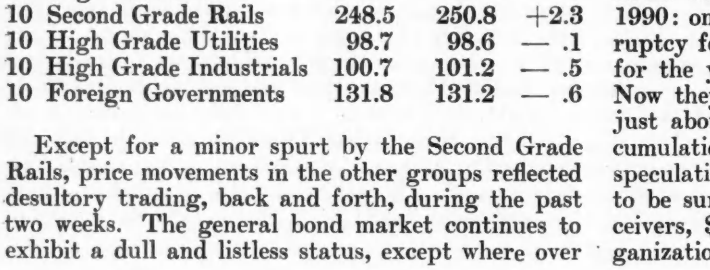
IN BONDS And PREFERRED STOCKS

By JACKSON D. NORWOOD

THE MAGAZINE OF WALL STREET's Index of Bond Prices showed the following changes for the period indicated:

	On Mar. 15	On Mar. 29	
40 Domestic Corporates	116.8	117.0	+ .2
10 High Grade Rails	113.4	112.9	— .5
10 Second Grade Rails	248.5	250.8	+2.3
10 High Grade Utilities	98.7	98.6	— .1
10 High Grade Industrials	100.7	101.2	— .5
10 Foreign Governments	131.8	131.2	— .6

Except for a minor spurt by the Second Grade Rails, price movements in the other groups reflected desultory trading, back and forth, during the past two weeks. The general bond market continues to exhibit a dull and listless status, except where over night speculative enthusiasm flares up, due to changes reported in earnings, or outlook of the secondary issues.



Among the reorganized rails, for instance, or those rapidly approaching the time for a final re-adjustment of their various bond issues, considerable activity of late has colored their market. Take St. Louis Southwestern general and refunding 5s due 1990: only last fall these bonds of a road in bankruptcy for 12 years past, sank to a low price of 62 for the year, compared with a 1946 high of 105. Now they have climbed back to a level around 84, just about half way home again, attesting to accumulation by optimistic-minded investors or by the speculative element. Past due coupons on this issue, to be sure, have been paid up to 1942 by the receivers, $10 per bond during 1946, and the reorganization plan has been approved by the Federal Courts. Furthermore this is one of those situations now facing remedial legislation at the hands of Congress, where wartime prosperity brought such financial improvement that shareholders decry the need for any reorganization at all, and there is a chance they may be proven right about the matter. Certain it is that in the instance of this road, at any rate, its cash resources at present would enable the payment of all overdue interest and after paying off bank loans still leave a comfortable balance for operating requirements. All of which is not to suggest that we are advising a speculative purchase of the bonds around current levels, but merely to illustrate some of the factors which provide as much volatility for a bond of this class as might be expected of many industrial equities.

In contrast to a drab market in listed issues some sizable new issues have been well taken during the past

fortnight. The $200 million A.T.&T. 2¾s due 1982 were absorbed so fast by investors that the books were closed very shortly after opening. The bid price has risen by ⅜s over the original offering price of 100¾, attesting to unusual skill by the syndicate managers in appraising the market potentials for a huge issue of this sort. In like manner the subscription books for $100 million Consolidated Edison Co. 2¾ due 1982 were open for only a brief period. Compared with an original 102.85 price, 103½ is now freely bid for this well favored utility issue. That these two major utility bonds, both carrying the same coupon rate and having the same maturity date, should experience a slight difference in market price and consequent yield, is explainable by the fact that A.T.&T. has within the space of hardly a year financed itself to the extent of some $750 million and within the next year or so may be in the market for other funds at least as equally large. Its postwar expansion program envisaged total outlays around $2 billion to keep abreast of increasing demand for its service. The last time this concern came to Wall Street it got slightly better terms but this was because the bonds had a convertible feature, lacking in its latest offering.

The pulse of the current market for new offerings is well shown by the fact that of some two dozen better grade bond and preferred stock issues offered to the public in fairly recent weeks, by far the great majority have exhibited an encouraging tendency to rise in price after their earlier placement.

Suggestions for Current Investment Funds

Bonds:	Recent Price	Call Price	Current Yield
Amer. & For. Pwr. Deb. 5's, 2030	$108	$107½	4.6%
Atlantic Coast Line Gen. 4½, 1964	108	N.C.	4.1
Boston & Albany R. R. Term. Imp. 4¼'s, '78	87	105	4.9
Missouri, Kan. & Tex. Ry. 1st 4's, '90	87	N.C.	4.6
N. Pacific Ref. & Imp. 5's, C, 2047	103	105*	4.8
Southern Pacific Deb. 4½'s, 1981	96	110	4.7
Texas & Pacific Ry. Gen. 3⅞, '85	104	105½	3.6
Preferred Stocks:			
Assoc. Dry Goods $7 2nd Pfd.	$125	N.C.	5.6%
Baldwin Locomotive $2.10 Pfd.	42	$40	5.0
Barker Bros. 4½% ($50 Par) Pfd.	50	55	4.5
Curtis Publishing $4 Prior Pfd.	69	75	5.8
General Cigar 7% Cum. Pfd.	159	N.C.	4.4
Goodyear Tire & Rub. $5 Cum. Cv. Pfd.	107	105	4.7
Pacific G. & E. 5½% Cum. 1st Pfd. (Par $25)	38	N.C.	3.6
Radio Corp. of Amer. $3.50 Cum. 1st Pfd.	76	100	4.6
Stokley-Van Camp $1 Prior Pfd.	21	21	4.7
Union Pacific 4% Non-Cum. Pfd.	109	N.C.	3.7
Virginian Rwy. 6% Cum. Pfd. (Par $25)	37	N.C.	4.0
Wheeling Steel $5 Cum. Pr. Pfd.	100	100	5.0

N.C.—Not Callable. *Not prior to July 1, 1952.

PUERTO RICO WATER RESOURCES AUTHORITY Electric Revenue Bonds, $50 million of which have been offered by a banking syndicate, offer an interesting diversion from the ordinary tax free bonds appearing upon the markets of late. Because the service charges must stem solely from utility revenues, as their title suggests, rather than from taxes levied, this hybrid characteristic has occasioned a yield about one percent higher than on the average municipal. On the 1974-77 maturities, for example, the price affords a yield of around 2.70%, or comparable to that of many ordinary high grade industrial bonds in the United States, although the issuer is a legally constituted public body and the bonds and income therefrom are exempt from Federal and State income taxation. It is understood that while the technicalities involved have precluded the issue from being snapped right up, the response of investors to the offering has been very gratifying and that the greater portion of the bonds went rapidly into the hands of the investing public.

BOND YIELDS: The conservative investor desirous of including a definite portion of high grade bonds in his portfolio might just as well resign himself to being content with a yield of under 3%. If he is a stickler for truly high quality, in fact, he will have to be satisfied with even less. There are entirely too many avid students of the bond market ready to grab all offerings with genuinely sound fundamentals to leave the door open for any real bargains, that is for the best class issues. When a higher yield is obtainable, it is a sure sign that something, perhaps a very obscure factor, is responsible for the circumstance. At best, the better yield is a red flag to the cautious investor who wishes to refrain from any speculative purchases.

Under current conditions, accordingly, a great many investors bent upon carrying top grade bonds in their portfolios quite wisely have foregone their accustomed search, turning straight to the Government bond market instead. Or where tax considerations are weighty, they have bought municipals. Fact is that in the struggle to achieve the most satisfactory income with the least sacrifice of safety the yardstick of percentage returns often becomes distorted. Measured in terms of dollar income and considering the assured safety feature, Government bonds today should compete even more strongly than they do for the careful investor's dollars. In other words while 2¼% sounds a lot less than 3%, on a thousand dollar bond an annual difference of only $7.50 in income in many cases might seem nothing to worry over. Additionally, the inclusion of bonds in a portfolio more often than not is a temporary expedient, thus tending to minimize the importance of yield. Under such circumstances, the private investor who stretches a point in order to boost his income by only a few dollars may not be as sensible as he anticipated. And to buy Governments might save him a lot of time and fussing over his selections.

CHOICE OF INVESTMENT MEDIA: While on the subject of bonds, it may (*Please turn to page* 58)

FOR PROFIT AND INCOME

Spring Markets

Since 1897, where this particular bit of research started, the Dow industrial average showed some net gain in April in 23 years, declines in 27 years. Exactly the reverse was true in May, with gains in 27 years, declines in 23. Thus, the average performance for these two spring months has been pretty much of a stand-off. As we have noted before in similar studies, however, bull markets have an average duration roughly twice that of bear markets. Hence, there are about twice as many bull-market years as bear-market years. When adjustment is made for that fact, April-May results have been on the indifferent side. Perhaps that has a certain logic. Spring, like autumn, has frequently been a significant test for business. But do not forget that a 50-year record can be no more than an average of wide variations, and that in any given month market action may depart widely from the average. There have been some good advances in April, some sharp declines in May, and vice versa. What will it be this year? This column will guess — and we mean guess, having no crystal ball — that it will be down in April and up in May — provided previous bear-market lows are not broken in April. If they are, all bets are off.

Inventory Reserves

Corporations approach "the expected business recession" with generally sizable reserves against inventory losses. A number of them use the last-in-first-out method of handling inventories, or other special accounting devices, to minimize the effect of price changes on reported earnings. Taking into account both the degree of protection and the improbability of more than a relatively moderate price decline, it is unlikely that inventory losses over the foreseeable future will figure much in the earnings picture. But do not let this statement lull you into a false sense of security. Regardless of inventory values, any price decline and recession in volume (they always go together) mean lower margins of profit and reduced earnings in most lines. On an average, present earnings could be lowered sharply by only a moderate business decline for two reasons. First, break-even points appear generally higher than before the war. Second, present profits are "lush" and therefore subject to markdown when concerns have to fight harder for business. There is nothing like a recession to sharpen competition and slenderize the fat takings that were so easy to get during the long sellers' market, now gradually on the way out.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		Latest Period	Year Ago
American Safety Razor	Year Dec. 31	$2.42	$1.33
Champion Paper & Fibre	12 wks. Feb. 2	1.12	.16
Crown Cork & Seal	Year Dec. 31	4.21	3.02
Driver-Harris	Year Dec. 31	4.93	3.15
Eastern Airlines	Year Dec. 31	1.46	.89
Miami Copper	Fear Dec. 31	2.95	1.37
Outlet Co.	Year Jan. 31	12.27	5.67
Packard Motor	Year Dec. 31	.32	.08
Pfeiffer Brewing	Year Dec. 31	2.38	1.13
Weston Electric Instrument	Year Dec. 31	7.10	3.02

Speaking of Earnings

Investors recognize that a substantial, but indeterminate, portion of present earnings in many lines are non-recurrent, and hence put a modest valuation on them. That is why quite a few

perfectly respectable stocks of important companies are now selling at as low as three to six times current annual earning power. Aggregate earnings seem to be just about at the peak, which means that the next important change must be down. Some analysts hold that this prospect is more than adequately allowed for in present stock prices; and that prospective lower earnings will be good enough, in relation to existing market levels, to support a new bull market. Possibly they are right, but this column wonders. Bull markets heretofore have always fed on the speculative hope that companies currently earning little, or only moderate profits, will in future earn much more. They have never gone to town on the reasoning that higher-grade stocks are "reasonable" at current yields of 4% to 5%, or on the belief that prospective earnings probably will amply cover present, or moderately higher, dividends.

Discounted?

The recession is under way in some lines and not far around the corner in others. As noted earlier in this column, the bull case rests largely on the premise that it has been discounted. That remains to be seen and will be demonstrated by whether or not the averages hold above last autumn's lows on further tests over an adequate period of time. But meanwhile there will be increasing "recession news," relating to particular situations, in the daily newspapers; and the action of individual stocks may give the whole theory something of a preliminary test.

Wool Makers

American Woolen broke very sharply recently on publication of news that woolen makers generally had curtailed operations sharply as a result of shrinking demands. This had long been foreseeable and should have been no surprise, but the fact remains that the stock broke rather violently. If that is an indication, rather than an isolated "accident," of market response to recession developments, it is not a good omen. It probably would not take more than a few downside airpockets in individual stocks to give the whole market the jitters again—bullish brokerage market letters to the contrary notwithstanding.

Metal Fabricators

Makers of copper, brass and related products will have an excellent year, with earnings at record levels in most instances. This group includes Anaconda Wire & Cable, Bridgeport Brass, General Cable, Mueller Brass, Ohio Brass, Revere Copper & Brass and Scovill Manufacturing. However, for this field as a whole the long-term earnings-dividend record has not been so good. The swings in demand have been broad, and there has normally been some over-capacity. A goodly portion of present demand is of "catching up" nature, and in that sense non-recurrent. Remembering how conseratively investors have evaluated non-recurrent earnings in consumer-goods lines, we have our doubts that they are likely to enthuse over metal fabricating equities. The best (and by far the most diversified) one in the group is Scovill. Mueller Brass is probably the best runner-up stock.

Be Comfortable

It is a rare investor who does not own at least one or more stocks which he wishes he had not bought. A stubborn reluctance to acknowledge — even to ourselves—that a mistake of judgement was made, is the main reason why most of us go on hanging on to these lemons. It is expensive business and bad for the soul. We all like to make fancy profits, but too many people accept speculative risks in the stock market which are not justified by their circumstances and obligations on the one hand, or their temperaments on the other. If you are an average "amateur investor"—which is no more invidious than being an average golfer, or average in anything which is not your main business—there is everything to be said for buying stocks with which you can be comfortable, and about which you will worry little, even if they go against you for considerable periods. They should be stocks of leading companies in essential fields, with above-average stability of demand, exceptionally strong finances, and paying good dividends. If they have long-term growth aspects, so much the better.

Two Good Ones

We direct you to two such stocks, among others, which have previously been cited here: Standard Oil of New Jersey and Union Carbide. Both are outstanding. Both offer solid value at current prices. In the event of market decline, they will go off considerably less than the general list. Their potentiality in the next bull market might be prices perhaps 25% to 50% above the present levels. Nothing very exciting—but stocks you can be comfortable with.

(*Please turn to page* 62)

DECLINES SHOWN IN RECENT EARNINGS REPORTS

		Latest Period	Year Ago
Bell & Howell	Year Dec. 31	$ .69	$1.29
Borg Warner	Year Dec. 31	3.66	3.84
Copperweld Steel	Year Dec. 31	.69	1.11
Grayson-Robinson Stores	Dec. 31 quarter	.62	1.01
Grumman Aircraft	Year Dec. 31	.66	11.24
Lockheed Aircraft	Year Dec. 31	2.84	5.08
Pacific Tel. & Tel.	12 mos. Mar. 31	5.34	6.68
Philadelphia Co. & subs.	Year Dec. 31	.71	.76
Pittston Co.	Year Dec. 31	2.44	3.46
Universal Pictures	13 wks. Feb. 1	.73	1.15

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities* at reasonable intervals.**
3. **No inquiry will be answered which does not enclose *stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Management's Stock Ownership

I have 200 shares common stock of Atchison Topeka & Santa Fe. It does not make me feel too good to note that of the directors listed in the proxy statement, there is only one, the retired President, that holds more than 200 shares of common stock and he holds 210. Then, too, you will note only two hold more than 100 shares of preferred, one 310 shares, the other 150 shares.

Now note the director fees. Question in my mind is can these directors give their extreme best to a venture in which they are so lightly interested. I think not and while they are good men, I fear they become rubber stamps at their meetings. Now look at the holdings of the four directors to be elected for four years.

What is your opinion about a situation of this kind? The set-up should make good reading for comment in your magazine.

H.C., Rochester, N. Y.

We thank you for your interesting letter in regard to the relative small financial stake that directors of Atchison, Topeka & Santa Fe Railway and other corporations appear to have in their companies.

Proxy statements sometimes do not show a complete ownership record of management's holdings as do SEC reports. Officers and directors sometimes own more shares than are revealed in the proxy statement as shares may be in a broker's name, or some nominee, or in a personally owned corporation's name, or in a trust fund in which the individual director may be the donor or beneficiary. But there are cases where management actually has only a small personal financial stake in the companies they direct and there may be good reasons for this. To name only a few, a director may be on the board of many corporations and so his financial investments must be diversified. Another thing, he may be on the board as a representative of other large interests such as a bank or some other financial institution.

Some directors hesitate to hold more than a nominal amount of shares as other stockholders may criticize their actions as influenced by their holdings. However, in some instances management's small holdings may reflect lack of confidence in company's outlook or current market valuation.

On the basis of current and prospective earnings, the stock of Atchison, Topeka & Santa Fe does not appear overvalued and, as the income yield is good, we recommend retention of your holdings.

Publicker Industries, Inc.

As a subscriber, I would appreciate some information on Publicker Industries, Inc.

B.A., Memphis, Tenn.

An increase of $85,461,122 in sales and one of $19,960,025 in earnings over the previous year were reported by Publicker Industries, Inc., and its consolidated subsidiaries, including Paco Tankers, Inc., for the year 1946.

Sales last year were $360,350,137, compared with $274,889,015 in 1945. Net income, after providing $18,715,687 for taxes, was $23,980,164 or $11.75 a share on 2,000,804 common shares, compared with $4,020,139, or $8.00 a share, on 488,001 shares, earned in 1945, when taxes were $9,017,800. Earnings before taxes were $42,695,851, against $13,037,939 on this basis in 1945. The common stock was split four for one in 1946 and stock dividend of 2½% was paid. Another 2½% stock dividend was paid in March 1947. In addition, there are 100,000 shares of $4.75 cumulative preferred stock.

Under a new bank loan agreement dated Nov. 1, 1946, company obtained a $38,000,000 term loan maturing, one-third each Dec. 31, 1950-52, at a rate of interest 2% in excess of the official Federal Reserve Bank discount rate but not less than 3% nor more than 3½% per annum. New loan agreement also provides for a maximum $22,000,000 revolving credit expiring Dec. 31, 1952. All bank loans previously outstanding were paid off from proceeds of the new loan.

Publicker's business is the production and distribution of industrial chemicals and alcohol beverages. It also is engaged in the shipping business through a subsidiary, Paco Tankers, Inc., and also has a 50% interest in two ship management companies.

A slowing up in the demand for whisky and record production from war-developed distilleries are beginning to exert bearish pressure on liquor prices and, therefore, earnings in 1947 will probably not be quite as high as they were last year.

(*Please turn to page* 62)

The BUSINESS ANALYST

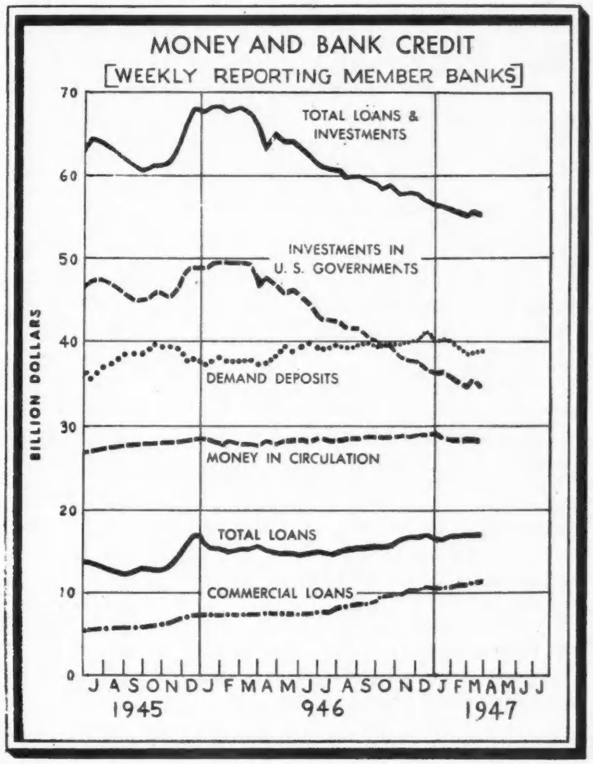
SUMMARY

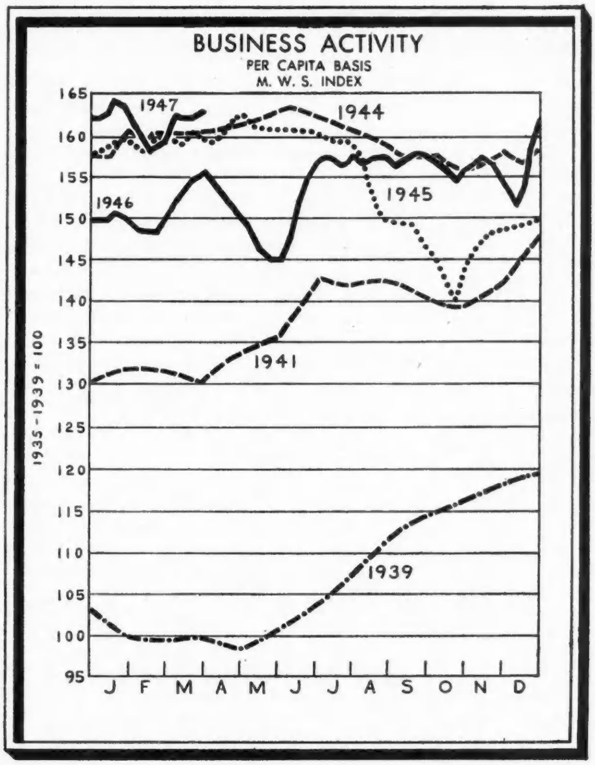
MONEY AND CREDIT—It looks now as though the Government will end up in June with the first surplus in 16 fiscal years. For nine months ended March 31, receipts exceeded expenditures by more than $3 billion. To reduce both taxes and the debt now seems possible. On April 1, the Treasury redeemed in cash an additional $1.5 billion of 7/8% certificates, making total cash redemptions of $28.9 billion since March 1, 1946. Federal gross debt is now $17 billion smaller than a year ago.

TRADE—Department store sales still run below last year on unit quantity basis; but were up 12% in dollar total for week ended Mar. 22. Sales of all retail outlets in February were 15% ahead of last year in total value, with sales of durable goods up 45% and nondurables 9%. Demand for woolen wearing apparel is now below last year.

INDUSTRY—The Nation's physical volume of business activity rose to a new all-time high during fortnight ended Mar. 22, nearly 8% ahead of last year. Yet there are still acute shortages of metals, newsprint, plywood, box cars and other items.

COMMODITIES—Farm staples rise to new 27-year heights under Government buying for export. Black markets flourish in a number of products. Warnings issued against profiteering.





Striving to meet an insatiable world-wide demand for goods, the Nation's physical volume of **Business Activity** climbed during the fortnight ended Mar. 22 to a new all-time high, almost 8% above last year. Nearly every week that passes witnesses a new post-war high in **Automobile Production.**

* * *

Department Store Sales, on the other hand, are still below last year in physical volume, but were up 12% in dollar total during the week ended March 22. The decline in unit volume is due to tapering off in sales of soft goods, caused by an upsurge in demand for hard and capital goods, now in more plentiful supply. Dollar sales of all retail outlets during February, for example, were 15% ahead of last year; but sales of durable goods were up 45%, contrasted with a gain of only 9% for nondurables.

* * *

So great is the excess of world demand over supply that black (now called "grey," since the demise of O. P. A.) marketeering has sprung up in **Scarce Items** such as steel, copper, newsprint, plywood, soda ash, etc. Fly-by-night "brokers" are offering steel at 200% to 300% above listed quotations; copper is being bootlegged at 29 cents a pound, compared with the regular

(Please turn to following page)

Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
MILITARY EXPENDITURE (tf) $b	Mar. 26	0.36	0.35	0.56	0.43
Cumulative from Mid-1940	Mar. 26	351.7	351.4	331.7	14.3
FEDERAL GROSS DEBT—$b	Mar. 26	259.0	258.7	275.9	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	Mar. 26	38.8	33.0	37.1	24.3
Currency in Circulation	Mar. 26	28.2	28.2	27.8	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Mar. 26	7.09	7.18	7.45	3.92
100 Other Cities—$b	Mar. 26	9.64	9.58	8.18	5.57
INCOME PAYMENTS—$b (cd)	Jan.	14.42	15.95	13.05	8.11
Salaries & Wages (cd)	Jan.	9.12	9.38	8.18	5.56
Interest & Dividends (cd)	Jan.	1.25	2.40	1.12	0.55
Farm Marketing Income (ag)	Jan.	2.14	2.47	1.53	1.21
Includ'g Govt. Payments (ag)	Jan.	2.18	2.49	1.65	1.28
CIVILIAN EMPLOYMENT (cb) m	Feb.	55.5	55.4	51.2	52.6
Agricultural Employment (cb)	Feb.	6.9	6.5	6.9	8.9
Employees, Manufacturing (lb)	Jan.	15.0	15.0	13.2	13.8
Employees, Government (lb)	Jan.	5.2	5.4	5.5	4.6
UNEMPLOYMENT (cb) m	Feb.	2.5	2.4	2.7	3.4
FACTORY EMPLOYMENT (lb4)	Jan.	150	150	130	147
Durable Goods	Jan.	173	172	144	175
Non-Durable Goods	Jan.	131	132	119	123
FACTORY PAYROLLS (lb4)	Jan.	300	299	229	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Dec.	40.9	40.2	41.5	40.3
Hourly Wage (cents)	Dec.	114.5	113.9	99.4	78.1
Weekly Wage ($)	Dec.	46.86	45.78	41.21	31.79
PRICES—Wholesale (lb2)	Mar. 22	149.0	148.3	108.4	92.2
Retail (cdlb)	Jan.	172.7	172.7	143.1	116.2
COST OF LIVING (lb3)	Feb.	152.8	153.1	129.6	110.2
Food	Feb.	182.3	183.8	139.6	113.1
Clothing	Feb.	180.2	178.3	150.5	113.8
Rent	Feb.	108.9	108.8	108.3	107.8
RETAIL TRADE $b					
Retail Store Sales (cd)	Feb.	7.38	7.84	6.43	4.72
Durable Goods	Feb.	1.54	1.62	1.06	1.14
Non-Durable Goods	Feb.	5.84	6.22	5.37	3.58
Dep't Store Sales (mrb)	Feb.	0.58	0.58	0.54	0.40
Retail Sales Credit, End Mo. (rb2)	Feb.	4.20	4.33	2.57	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	Jan.	241	236	188	181
Durable Goods	Jan.	268	263	176	221
Non-Durable Goods	Jan.	224	221	196	157
Shipments (cd2)—Total	Jan.	273	276	184	184
Durable Goods	Jan.	294	290	169	223
Non-Durable Goods	Jan.	259	266	195	158
BUSINESS INVENTORIES, End Mo.					
Total (cd)—$b	Jan.	35.8	34.9	26.6	26.7
Manufacturers'	Jan.	20.7	20.3	16.4	15.2
Wholesalers'	Jan.	6.3	5.9	4.2	4.3
Retailers'	Jan.	8.8	8.7	6.0	7.2
Dept. Store Stocks (mrb)	Jan.	1.8	1.8	1.1	1.4

PRESENT POSITION AND OUTLOOK

(Continued from page 43)

price of 21½ cents; soda ash, regularly quoted at $700 to $800 per carload, is available in the grey market for spot delivery at 4 to 10 times that price.

* * *

Canadian producers have boosted **Newsprint** $6 a ton, making the price $91 at New York. With newsprint changing hands in eastern cities at $200 to $300 a ton, our neighbors to the North are to be congratulated upon such an exhibition of self restraint.

* * *

Even in **Foodstuffs** there must be a considerable amount of hard-to-trace profiteering; since the Labor Bureau's index of wholesale prices shows a nine-months' rise of 47% for foodstuffs, compared with only 32% for farm produucts. As food prices at retail have advanced meanwhile only 26%, it appears that competition is affording some protection to the new ultimate consumer.

* * *

Though patently antisocial, it is understandingly human to grasp an opportunity for personal profit from scarcities. We know a landlord, owning a chain of New York apartment houses, who admits that he is not faring so badly under **Rent Control;** but thinks it unfair that he is not permitted to profit, as others do, from black market opportunities while they last. It is against such an attitude that President Truman, and even the N. A. M., have just issued warnings.

* * *

Rising living costs are strengthening labor demands for wage increases. **Strikes** are threatened in such major industries as coal, telephone operation and even railroad transportation.

* * *

Owing mainly to higher labor costs, the net income of **Electric Utilities** is expected to be 10% to 15% lower this year than last. Chairman E. G. Grace of the Bethlehem Steel Corp. says that, because of higher wages and other costs, the United States "can neither build nor operate **Merchant Ships** in competition with the rest of the world." Though steel is cheaper in the U. S., "ships can be bought abroad at half the cost here."

* * *

Railroad Companies are to confer April 15 with the I. C. C. on their recent petition to lift mail pay 45%. If granted, this would add around $60 million annually to the carriers' revenues. If railroad workers gain further wage increases later, or if material costs continue to mount, an additional increase in freight rates will be sought.

* * *

With commendable promptness, the C. A. B. has just approved the **Airlines** application for a 10% increase in passenger fares. This lifts

Production and Transportation

		Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—l—pc	Mar. 22	163.0	162.0	153.6	141.8
(M. W. S.)—l—np	Mar. 22	180.1	179.0	167.4	146.5
INDUSTRIAL PROD. (rb)—l—np	Feb.	188	188	152	174
Mining	Feb.	145	145	141	133
Durable Goods, Mfr.	Feb.	222	220	138	215
Non-Durable Goods, Mfr.	Feb.	176	177	167	141
CARLOADINGS—t—Total	Mar. 22	844	841	805	833
Manufactures & Miscellaneous	Mar. 22	387	382	365	379
Mdse. L. C. L.	Mar. 22	124	125	125	156
Grain	Mar. 22	54	51	43	43
ELEC. POWER Output (Kw.H.)m	Mar. 22	4,759	4,764	4,017	3,267
SOFT COAL, Prod. (st) m	Mar. 22	12.9	13.7	13.3	10.8
Cumulative from Jan. 1	Mar. 22	150	137	148	446
Stocks, End Mo.	Jan.	49.1	47.1	46.5	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Mar. 22	4.9	4.8	4.4	4.1
Gasoline Stocks	Mar. 22	107	107	104	88
Fuel Oil Stocks	Mar 22	43	44	38	94
Heating Oil Stocks	Mar. 22	33	34	28	55
LUMBER, Prod. (bd. ft.) m	Mar. 22	472	455	402	632
Stocks, End. Mo. (bd. ft.) b	Jan.	4.3	4.5	3.5	12.6
STEEL INGOT PROD. (st.) m	Feb.	6.43	7.23	1.39	6.96
Cumulative from Jan. 1	Feb.	13.7	7.23	5.26	74.7
ENGINEERING CONSTRUCTION AWARDS (en) $m	Mar. 27	60	109	135	94
Cumulative from Jan. 1	Mar. 27	1,188	1,128	982	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Mar. 22	156	163	169	165
U. S. Newsprint, Consumption(st)t	Feb.	354	365	306	352
Do., Stocks (mpt) End Month	Feb.	419	448	417	523
Wood Pulp Stocks, End Mo. (st)t	Jan.	75.2	70.6	67.0	98.5
Portland Cement Prod. (bbls.)m	Feb.	12.5	13.3	9.2	14.9
Machine Tool Shipments—$m	Jan.	26.5	27.6	30.3	76.4

PRESENT POSITION AND OUTLOOK

the basic fare to around 5 cents a mile, adding about $26 million annually to the industry's revenues at present volume of travel, and about $30 million upon estimated expanded traffic during the coming year.

* * *

Prices elsewhere—except for notable reductions by the Ford Motors, International Harvestor Smith Carpet and Pullman-Standard Car Mfg. Companies are still climbing. If this resurgence of **Inflationary Trend** is not checked soon it will throw our economy out of balance and retard industrial recovery abroad.

* * *

Mr. John R. Steelman, assistant to President Truman, has taken steps to relieve the acute shortage of **Steel Scrap,** caused mainly by the low rate at which old automobiles have been junked since pre-war days. He announces that at least 0.5 million tons of scrap metal will be returned from overseas within the next two months and an additional 1.2 million tons over the remainder of 1947. The prospect has already brought a small anticipatory decline in the still exorbitant price of steel scrap.

* * *

Especially helpful in relieving the **Box Car Shortage** will be the Pullman-Standard Car Manufacturing Company's far-sighted decision to cut prices to around $3,600. Up to now the railroads have had to pay between $4,000 and $4,300.

ag—Agriculture Dep't. b—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't. Avge. Month 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. l—Seasonably adjusted Index 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Street, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, **Instalment and Charge accounts. st—Short tons. t—Thousands. tf—Treasury and Reconstruction Finance Corp.**

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

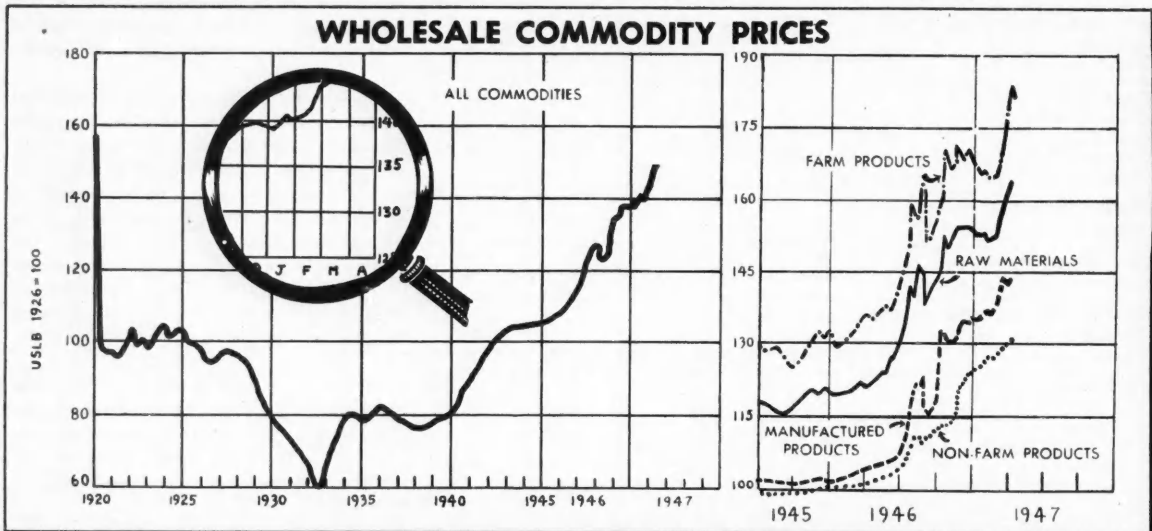
No. of Issues (1925 Close—100)	1947 Indexes High	Low	Mar. 22	Mar. 29
304 COMBINED AVERAGE	148.8	132.5	136.1	137.6
4 Agricultural Implements	188.0	159.2	173.8	179.1
11 Aircraft (1927 Cl.—100)	167.1	151.1	152.5	154.7
6 Air Lines (1934 Cl.—100)	628.2	545.7	608.1	615.6
6 Amusement	146.0	124.9	131.9	130.4
14 Automobile Accessories	237.4	198.7	207.8	210.6
11 Automobiles	42.8	34.7	38.2	38.4
3 Baking (1926 Cl.—100)	24.1	22.2	22.7	22.8
3 Business Machines	301.6	269.8	271.8	280.1
2 Bus Lines (1926 Cl.—100)	175.0	148.9	152.3	148.9b
4 Chemicals	245.6	218.4	240.4	241.6
2 Coal Mining	20.1	17.3	17.7	17.6
4 Communication	58.3	49.6	51.5	51.2
13 Construction	66.5	58.3	60.2	61.0
7 Containers	371.5	332.4	340.9	348.4
8 Copper & Brass	113.9	105.8	109.7	112.6
2 Dairy Products	63.3	59.0	61.4	60.8
5 Department Stores	78.6	70.2	71.7	72.1
5 Drugs & Toilet Articles	223.2	193.2	194.3	198.5
2 Finance Companies	255.8	221.4	225.1	229.6
7 Food Brands	190.4	175.7	180.7	177.4
2 Food Stores	73.3	68.5	69.5	70.9
3 Furniture	93.9	82.5	83.9	84.1
3 Gold Mining	882.7	760.6	802.5	823.2

(Nov. 14, 1936, Cl.—100)	High	Low	Mar. 22	Mar. 29
100 HIGH PRICED STOCKS	89.87	81.58	83.95	84.54
100 LOW PRICED STOCKS	183.14	158.08	162.29	165.03
6 Investment Trusts	62.8	54.2	56.0	57.0
3 Liquor (1927 Cl.—100)	933.6	746.8	769.1	815.0
8 Machinery	159.4	140.7	144.7	146.4
3 Mail Order	129.5	110.8	113.4	113.4
3 Meat Packing	108.7	102.6	104.3	104.9
13 Metals, non-Ferrous	196.7	174.3	178.8	181.1
3 Paper	39.6	36.1	36.6	37.4
23 Petroleum	191.0	176.2	185.2	189.8
20 Public Utilities	134.3	120.8	124.6	124.6
5 Radio (1927 Cl.—100)	23.2	18.9	20.1	20.7
8 Railroad Equipment	80.6	69.6	73.1	73.9
23 Railroads	27.2	22.6	23.4	23.4
3 Realty	32.0	25.6	27.0	28.2
2 Shipbuilding	114.4	104.0	107.2	108.7
3 Soft Drinks	559.0	482.7	504.4	516.0
13 Steel & Iron	121.1	108.7	112.4	113.3
3 Sugar	68.2	61.8	61.9	63.2
2 Sulphur	253.8	236.3	236.3	237.0
3 Textiles	128.5	104.8	119.2	117.1
3 Tires & Rubber	41.4	36.6	37.4	37.6
6 Tobacco	87.4	76.7	78.0	77.2
2 Variety Stores	342.5	310.2	320.1	317.6
19 Unclassified	108.5	96.1	98.4	99.0

b—New LOW since 1945.

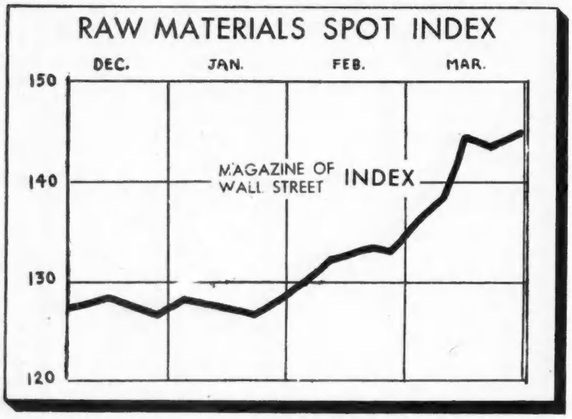
Trend of Commodities

Farm products prices, though generally irregular since our last issue, at one time during the past fortnight hit a new 27-year high. Spot and futures markets have come to a season where prices are sensitive to changes in weather conditions and shifting reports of Government buying or withdrawal from the market. Farm income for Jan. and Feb. totaled $4 billion—or 30% more than the like period last year. The B. A. E. thinks that total for 1947 will about equal the $24 billion taken in last year; though net will be somewhat lower owing to higher costs. The N. I. C. B. places farm net income for 1946 at $14.7 billion, compared with only $9.25 billion in 1919, the best pre-war year. Resources at the beginning of 1946 devoted to production totaled $102 billion, more than half of which was in real estate. The parity price index rose to 219% of the 1910-14 base period on Mar. 15—a new all-time high; yet current prices average 22% above parity—with soybeans 67% above, hogs 59%, beef cattle 49%, milk and wheat 21%, cotton 12%; but grape now sells at only 31% of parity. Owing to the high price of corn, refiners of corn products have raised prices and several distilleries have closed down. As to the latter, whiskey sales at retail have slackened in the past few months and distillers in curtailing production now are simply reverting to a normal peacetime production pattern. Only in years when it is necessary to rebuild stocks do the stills operate at capacity which is far in excess of the country's ability to consume. High feed costs are plaguing the producers of poultry, eggs, milk and butter.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equal 100

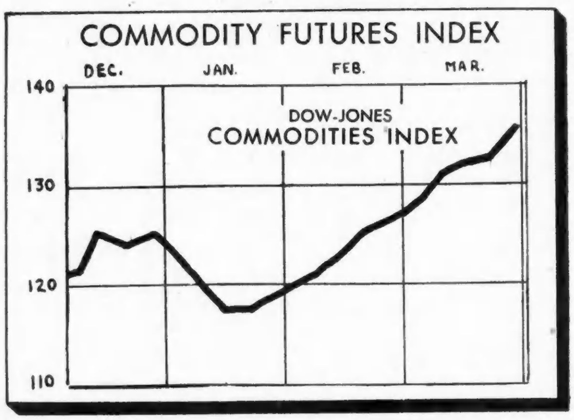
	Date Mar. 29	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	332.6	337.9	322.9	303.5	243.3	190.2	156.9
11 Import Commodities	291.6	292.3	289.7	289.3	225.7	170.7	157.5
17 Domestic Commodities	362.1	371.1	346.3	313.1	255.4	204.1	156.6
7 Domestic Agriculture	347.4	351.4	340.6	306.6	294.3	239.8	163.9
12 Foodstuffs	410.5	420.4	403.0	360.8	304.0	216.6	169.2
16 Raw Industrials	283.7	286.5	273.1	266.3	205.7	172.4	148.2



14 Raw Materials, 1923-5 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1947	1946	1945	1943	1941	1939	1938	1937
High	144.6	128.8	95.8	92.9	85.7	78.3	65.8	93.8
Low	126.4	95.8	93.6	89.3	74.3	61.6	57.5	64.7



Average 1924-26 equals 100

	1947	1946	1945	1943	1941	1939	1938	1937
High	136.18	127.07	106.41	96.57	84.60	64.67	54.95	82.44
Low	117.14	104.21	93.90	88.45	55.45	46.59	45.03	52.03

Tempo No. Central States

(*Continued from page 24*)

Also Kimberly-Clark at Neenah, Libby McNeill & Libby at Chicago, Minnesota & Ontario Paper at Minneapolis, John Morrell at Ottumwa, Nash-Kelvinator at Detroit, National Cash Register at Dayton, Packard Motor at Detroit, Pullman-Standard at Chicago, Stewart-Warner at Chicago, Timken-Detroit Axle at Detroit, White Motor at Cleveland, and Willys-Overland at Toledo.

The Nation's Transportation Hub

Chicago is the nation's transportation center, having a network of railroad systems extending in all directions; likewise, it is the merchandising center, having such wholesale and retail giants as Sears Roebuck, Montgomery Ward, Marshall Field, Butler Brothers, and Consolidated Grocers, the combined sales of which last year exceeded $3,136 million. Large chains in the section include S. S. Kresge at Detroit, and Kroger Company at Cincinnati, with sales of $151 million and $567 million.

Income payments and retail trade in the Midwest have been well maintained, following the labor troubles and other difficulties that held up industrial production last year. National income of this section in 1945 comprised 27% of the U. S. total, and practically doubled between 1940 and 1945, in line with the U. S. total. The sharpest gains during the war were in the least wealthy states of North and South Dakota and Nebraska. All ten states have a per capita income above or almost equal to the national average, as shown in the table on page 24.

Despite the continued high levels of retail trade, business sentiment in the Midwest has been decidedly more cautious than elsewhere because of fears that prices of farm products would collapse, as happened after World War I. That the price trend has, instead, been upward is attributed to the removal of OPA controls in the face of general inflation throughout the structure of wages and prices, plus the renewed government purchases of farm products for European relief. Some check to the speculative advances in prices of grains and livestock would doubtless be welcomed here, provided it were not too severe, as forcing a return to more competitive conditions, an improvement in labor efficiency, and a liquidation of swollen inventories.

THE NATIONAL CITY BANK

OF NEW YORK

Head Office · 55 WALL STREET · *New York*

Condensed Statement of Condition as of March 31, 1947

Including Domestic and Foreign Branches But Not Including The Affiliated City Bank Farmers Trust Company

(In Dollars Only—Cents Omitted)

ASSETS

Cash and Due from Banks and Bankers	$1,255,170,219
United States Government Obligations (Direct or Fully Guaranteed)	2,127,347,620
Obligations of Other Federal Agencies	28,904,830
State and Municipal Securities	199,859,550
Other Securities	101,058,083
Loans, Discounts, and Bankers' Acceptances	1,093,559,848
Real Estate Loans and Securities	3,137,041
Customers' Liability for Acceptances	17,538,998
Stock in Federal Reserve Bank	6,900,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	29,094,212
Other Assets	4,167,290
Total	$4,873,737,691

LIABILITIES

Deposits		$4,544,599,922
(Includes United States War Loan Deposit $79,954,394)		
Liability on Acceptances and Bills	$26,794,848	
Less: Own Acceptances in Portfolio	6,081,529	20,713,319
Items in Transit with Branches		3,303,569
Reserves for:		
Unearned Discount and Other Unearned Income		4,438,100
Interest, Taxes, Other Accrued Expenses, etc.		34,434,023
Dividend		2,325,000
Capital	$77,500,000	
Surplus	152,500,000	
Undivided Profits	33,923,758	263,923,758
Total		$4,873,737,691

Figures of Foreign Branches are included as of March 25, 1947, except those of the Dairen Branch which are prior to the outbreak of the War, but less reserves.

$360,512,637 of United States Government Obligations and $2,568,793 of other assets are deposited to secure $287,554,445 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

DIRECTORS

GORDON S. RENTSCHLER
Chairman of the Board

W. RANDOLPH BURGESS
Vice-Chairman of the Board

WM. GAGE BRADY, JR.
President

SOSTHENES BEHN
President, International Telephone and Telegraph Corporation

CURTIS E. CALDER
Chairman of the Board, Electric Bond and Share Company

GUY CARY
Shearman & Sterling & Wright

EDWARD A. DEEDS
Chairman of the Board, The National Cash Register Company

CLEVELAND E. DODGE
Vice-President, Phelps Dodge Corporation

A. P. GIANNINI
Founder-Chairman, Bank of America National Trust and Savings Association

JOSEPH P. GRACE, JR.
President, W. R. Grace & Co.

JAMES R. HOBBINS
President, Anaconda Copper Mining Company

AMORY HOUGHTON
Chairman of the Board, Corning Glass Works

GERRISH H. MILLIKEN
President, Deering, Milliken & Co. Incorporated

GERARD SWOPE
Honorary President, General Electric Company

REGINALD B. TAYLOR
Williamsville, New York

ROBERT WINTHROP
Robert Winthrop & Co.

• In contrast with the giant industrial and merchandising organizations enumerated above, the great railroads and public utility systems, and the "billion dollar banks" such as the First National and the Continental-Illinois of Chicago, there are literally hundreds of medium size companies, but the alert investor will watch also the progress of the smaller companies for which new securities are being offered such as those listed on page 24.

Selected Stocks With Higher Earnings Trend

(Continued from page 27)

the early thirties.

The Walgreen drug store chain found great success in 1946 in modernizing the layout, intensifying merchandising activities and moderately increasing the size of two of its prominent stores. Overall volume showed improvement and sales in these stores were running 105% and 137% above the comparable period of a year before compared with a company-wide increase of about 24%. Therefore, similar programs are being carried out in some of its 412 other stores.

The "G. I." and other personnel training program is being continued with satisfactory results and the management believes that the hundreds of men and women receiving training will make a substantial contribution to the near-term and long-term success of the company. Last year, $613,000 was expended to acquire 23% of the capital stock of Sanborn's, operators of two merchandising and drug stores in Mexico City and one in Monterrey. The stock was acquired in conjunction with a well known firm of investment bankers in Mexico City. Walgreen has the right to purchase a large additional block of stock which it expects to exercise when appropriate for expansion of the business, at which time it would own about 50% of all shares of the enlarged company. This recent acquisition should prove advantageous, and together with expansion of the company's own stores should augment profits.

An Integrated Oil Company Prospers

Practically every phase of the operations of Skelly Oil Company zoomed forward in 1946, and net profits were the best for any year up to this time. Despite the largest crude oil production in history, amounting to approximately 13,600,000 (or 14 barrels per share of outstanding stock), the asset or reserve position was never so strong. The last mentioned feature is good because the costs of exploration, development and production have increased importantly. In view of these higher costs, it is equitable that the prices of crude oil were increased in 1946 on three occasions, aggregating 45c. a barrel, and in March 1947 an additional 25c. a barrel. A spectacular gain was recorded in the Skelgas division of the marketing department where sales of liquified petroleum gases increased by

(Continued on page 54)

Keeping Abreast of Industrial and Company News

Reports of unusually good earnings in 1946 have now become so commonplace that they apparently stimulate more caution than enthusiasm. Because of so many non-recurrent influences bearing upon both upward and downward net earnings trends, close scrutiny of all the reports is assuredly wise before jumping to conclusions. And what managements plan to do next carries much significance.

One concern running counter to the stream in its special industry last year was Eastern Air Lines, Inc. President E. V. Rickenbacker confounded pessimists forecasting prolonged gloom for the air carriers as a group, by reporting record net earnings of $1.46 per share for his concern, and in seeing a bright future ahead. Rather than having reached its zenith, travel by air is only in its infancy, he says.

Monroe Calculating Machine Co. expects that 1947 wil be the biggest business year in its history, according to its president, W. G. Zaenglein. Orders on the company books have created such a sizable backlog that volume should be triple that of any year in the company's previous experience, unless unforeseen handicaps arise to dim the outlook.

A posible 100% gain in volume during 1947 for Iron Fireman Manufacturing Co. seems warranted, C. T. Burg, vice-president, has announced. This aggressive concern has introduced new lines of gas furnaces, oil and gas burners so that with the company's automatic equipment a home owner can burn coal, oil or gas as he may prefer.

In view of the vast expansion in aluminum capacity during war years, it is interesting to hear from Arthur V. Davis, Chairman of Aluminum Company of America, that the nation's sales of this white metal last year were second only to those of iron and steel. As this dominant concern sees no let-up in demand, under normal conditions, it is planning to increase its output by about 20% by modernization and expansion. Alcoa plans to increase its activities in the shipping field, too.

When the American Chemical Society holds its annual convention in Atlantic City on April 16-18, the speeches of eminent scientists should be of intense interest. Never before in history have the chemists made such startling strides as in late years to develop entirely new materials and processes. In no other field as this are potentials for raising living standards so bright.

Dynamic Decca Records, Inc. is among the first to discuss its performance for the first quarter of 1947. Sales were 50% ahead of the relative period last year, reports Jack Kapp, president. Although his company is turning out discs at an unprecedented rate, it seems impossible to fill the current demand. If all goes well Decca may do a gross business of $44 million this year, $14 million more than in 1946.

An announcement by the country's largest producer of bituminous coal, Pittsburgh Consolidated Coal Co., that it plans to spend $120 million in the next four years for commercial production of gas, oil and gasoline from coal brings out startling possibilities. In England and Europe, these processes have been in practical use for some time past, but here at home petroleum prices have precluded competition.

With ultra modern equipment the time seems near when our inexhaustible supplies of coal may push substantially into the breech to supplement our oil resources with a flood of identical products, and at competitive price levels. Railroads now heavily dependent upon coal traffic, too, may have something to think about if pipelines threaten to challenge their supremacy in the transportation field. But the consumer could stand to benefit widely in the long run.

Budd Co., already enjoying a huge backlog of orders from the automobile industry and the railroads, is by no means resting upon its oars. It has recently received the biggest order for passenger equipment ever placed by a foreign railroad for production in the United States. A Brazilian road has ordered 63 modern stainless steel railway cars from Budd.

A 20% reduction in the price of Noma Electric Corporation's Frigid-Freeze food cabinets deserves everyone's applause, especially as the management points out that consumer resistance played no part in its decision. But the frozen food industry is one of the first which has experienced the impact of over production, and to help dealers swell volume, Noma has wisely come to the front with a $161 cut in the price of its units. Other manufacturers would do well to adopt similar policies.

When we speak of supersonic speeds, the mind naturally thinks of the atmosphere. But General Electric Co. has a new wheel which revolves at the unthinkable speed of 123,000 revolutions per minute. Expressed in another way its edge travels at the rate of 1282 miles per hour. The wheel is used to slice thin metals, textiles and tissues and operates within a vacuum.

Although Libbey-Owens-Ford Glass Co. increased its capacity for producing Thermopane eightfold in 1946 it was unable to catch up with its orders for this item, a double-paned insulating glass that makes possible larger windows. The company attributes the widespread demand to insistence for Daylight Engineering in buildings of all types.

Further indications that the railway equipment industry should enjoy good business for some years to come are shown by estimates that despite placement of orders for 80,000 freight cars by railroads this year, in all probability, the roads will gain little. Some experts are predicting that an equal number of cars will have to be junked by their owners before the year end.

Current market conditions have discouraged an increasing number of large concerns from going ahead with planned financing. American Locomotive Co. has asked the SEC to withdraw its registration statement covering a proposed sale of 100,000 shares of prior preferred and 100,000 shares of convertible second preferred. ALCO wants to await more favorable times in the money markets, as it is in no hurry.

The long term outlook for the cement industry is enhanced by the fact that of the nation's 3 million miles of highways, only 93,394 miles have yet been surfaced with concrete and much of this is in poor repair. And at the beginning of 1947 $700 million had already been appropriated for new concrete roads or for their upkeep.

The liquified petroleum gas industry has been exhibiting phenomenal growth trends of late, with no evidence that their gains may not continue apace. By the end of 1945 the industry had 3 1/2 million customers, enough to satisfy most wishful thinkers. But during 1946, another 1 1/4 million new customers were added, thus forcing optimists, to raise their sights.

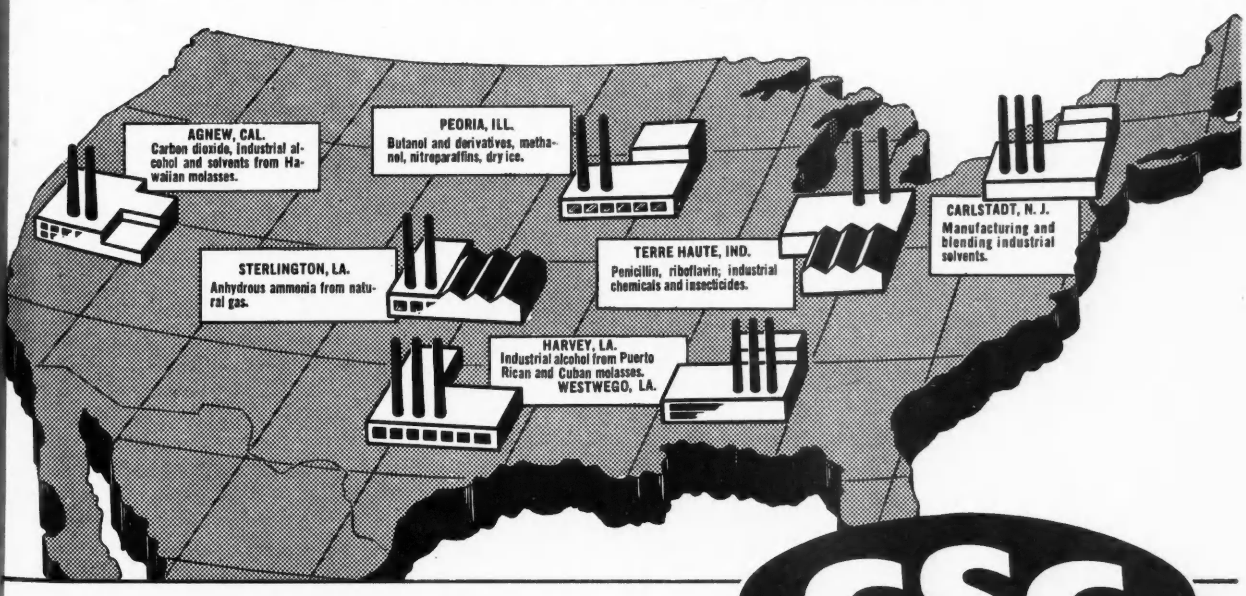
Research has produced a new sweet smelling soap for housewives to use in cleaning floors, walls and furniture. But let all bugs beware, for behind the insidious perfume is a sizable mixture of DDT which will spell destruction to all which yield to the allure.

Why do we call it the "*NEWS*"?

Because the news comes from the four points of the compass. The word "news" was coined from the initial letters of North, East, West and South.

Why are CSC plants spaced widely over the map?

To serve you better by working close to abundant raw materials and convenient shipping facilities. Corn from the Middle West, natural gas from the South, and molasses shipped through nearby ports—are all transformed into more than 200 fine chemicals for the manufacturer, the doctor, the farmer, and the motorist.



CSC

COMMERCIAL SOLVENTS CORPORATION, 17 EAST 42ND ST., NEW YORK 17, N. Y.

Sales offices and warehouses located in principal cities

some 66% in 1946. By reason of the growing civilian demand, further increases are likely. Oil production increased 7%; but was 30% more than refinery requirements—usually a favorable position. Natural gas production gained about 20% in 1946, and production is obtained in the important Hugoton natural gas field in Oklahoma and Kansas. A very strong financial position is enjoyed, as well as the low interest rates of 2¾% on $10,000,000 long-term debentures, and 1¾% on $6,400,000 serial bank loans, due $400,000 each six months to 1955. Skelly appears well placed to obtain its full share of the increasing demand for oil and natural gas and their products.

In summary, it may be noted that the common stocks of the nine companies discussed enjoy reasonable price-earnings ratios. While such ratios for International Business Machines and for Walgreen are higher than the balance in the list, justification is found in their records of steady earnings. The viewpoint of growth record and future possibilities has been given considerable weight in this article, though space limited discussion to only a few angles of the situations.

What's In A Name?

(*Continued from page* 32)

in output. Striving for greater simplicity has generally been the motivating urge in most of these cases, and it is too bad that a greater portion of large concerns have not taken the hint and followed suit. Attempts to include a number of activities have so often resulted in long, unwieldy titles annoysome to great numbers of check writers. This is particularly true in the public Utility field, where one would not have to hunt far to find an imposing name something like "California Consolidated Light, Heat & Power Company." Only last year the stockholders of American Typefounders Corporation, Incorporated, took a wise step in shortening the name of their favorite to a mere ATF, Inc., most assuredly a constructive move. But similar courage could not be attributed to the former shareholders in Pennsylvania Company for Insurance on Lives and Granting Annuities. A compromise upon a new title of Pennsylvania Company for Banking and Trusts still leaves the name way out on a limb.

Weighing Outlook for Soft Drink Companies

(*Continued from page* 35)

1944, before the sugar shortage, to 151½ bottles for each man, woman and child; more optimistic men in the trade name considerably higher sales goals. Under present conditions, and probably for some time, the companies can easily dispose of near-capacity production which eliminates the need for wholesale price discounts and provides firmer price levels. However, competition is increasing not only among the various cola drinks but also between bottled soft drinks and other beverages.

The twelve-ounce bottle, formerly selling for a nickel has been increased to six cents against five cents continued to date on Coca Cola's six ounce bottle. It appears that sugar at New York would have to consistently sell above 7 cents, wholesale (against less than 7 cents, now), before Coca Cola might give serious consideration to increasing its price. Pepsi-Cola has a large wholly-owned subsidiary sugar producer in Cuba. However, earnings of Pepsi-Cola reported to date have not increased as those of the Dr. Pepper Company or Nehi. The latter benefitted by a large tax saving in 1946. Net earnings of C. E. Hires Co. were the same amount in the last two fiscal years, but improved in the December, 1946 quarter.

With volume considerably larger and selling prices higher in many cases, margins should remain satisfactory. Therefore, operating income and earnings are expected to improve in 1947, despite the absence of tax savings. Dividends, increased by Pepsi-Cola, Nehi, Dr. Pepper and Canada Dry and resumed by Liquid Carbonic, should be maintained at least at current levels.

Investment Audit of Beechnut Packing

(*Continued from page* 37)

per share on the present stock that was split 3½ for one, as approved by stockholders in March, 1947.

Latest Data Confirms Consumer Increase

The birth rate in the United States is important in the long-range outlook for companies such as Beech-Nut with important baby food divisions. Further statistics of the increasing birth rate in this country were just issued by the United Nations, in their Monthly Bulletin of Statistics. This source places such figures on an annual basis per thousand of population. Thus, the annual rate in November, 1946 was 28.8, or an increase in the last ten years from 17.1 births per thousand inhabitants in 1937. This increase was described as unprecedented. The latest figures show that for every fifty couples an annual average of 5.76 babies were born in the United States.

Split-Up Should Aid Market For Shares

Since the latter part of 1946, better general stock market conditions, the company's expansion program and possibly anticipation of the share split-up have brought recovery to the recent high of 39¼, equivalent to 137⅜ for the old stock. The market in the present stock has given indications of far more activity than in that of the old stock.

No statement has been made about a dividend rate on the new shares. If the 1946 rate is continued, approximately $1.14 will be paid and the shares would yield 2.9% at the present price. This would be the lowest yield, except for 1946 when the old

stock sold at 142 to yield 2.8%, that the shares ever have recorded. The present price appears to anticipate at least 33 cents per share dividend in the next quarter and a special year-end dividend. The next meeting is about May 19, 1947 and the first quarters earnings are due to be published in the last week of May. In years prior to 1946, special dividends were declared in December in addition to the $4 rate (on the old stock).

Upon an improved sugar supply situation, which appears likely by the close of 1947, the dividend outlook may be improved. However, at the present price of the shares, the best possibilities appear to be anticipated. This suggests that the shares should be purchased only upon a market reaction. It is expected that earnings in the year 1947 may equal last year's $1.82 per share earned on the basis of the present stock. But, the issue is selling nearly twenty-two times such expected results.

Opportunities for Income and Price Appreciation

(*Continued from page* 39)

be timely to discuss briefly with our readers a significant change in investment thinking which seems to be gaining ground. Our readers may have noticed that for some time past both the Insurance Companies and large underwriting firms have confined their purchases of large industrial issues almost exclusively to debenture issues. Almost disappearing from the scene have become the once common variety of first mortgage issues when new offerings are involved. This shift to unsecured promises to pay signals a growing recognition that transcendent satisfaction in an investment is derived from earning power rather than from physical assets which may or may not produce it. Experience learned by the hard road has taught that foreclosures on industrial property have been very infrequent, just as has been the case with the railroads. In case of trouble, the best way out has been through recapitalization or through new standards of managerial ability. Scanned in this light, the once fancied variations in safety afforded by bonds as against preferred stocks or one class equities lose a great deal of their former meaning. It will be found that in most cases where debentures have been issued, their priority upon earnings has been assured by denial of the right to issue any property-secured bonds ahead of them. Where preferred stocks, accordingly, hold top position in a company's capital structure, their first claim upon earnings is quite as strong as if they were bonds in any form. To go a step further, many a sound equity has proven a far better investment than innumerable senior securities in other concerns, regardless of their high sounding titles and seemingly protective provisions. It is for these reasons, too, that sixteen States have now taken steps to permit inclusion of first class stocks in the portfolios of legal Trusts. Stability of earning power more and more is coming to the front as measure of investment quality. All of which leads to the possible conclusion that when conditions warrant the strengthening of an investor's position, he might just as well run heavily into cash or Governments as to load up with the average good grade bonds of other stripe. Additionally it might well bolster his confidence in preferreds and first class equities, where long term income considerations are more important than interim profit taking. For

that matter, the Magazine of Wall Street is a great believer in the best grade common stocks, whether for stable income, long range appreciation or for interim profit potentials. Undeniably, though, there are always bonds which enjoy an above-average speculative appeal, along with preferred stocks with either a prime investment rating or presenting opportunities for appreciation, or good income. To keep abreast of the changing scene in these fields is the major aim in this column.

What Future for Silver?

(*Continued from page* 29)

about 30 per cent. This was not what the Indian Government had wanted. In New York, the raid by international arbitrageurs demonstrated that the establishment of a more or less uniform world price in the future would in the early stages attract a considerable foreign demand to these shores. That has weakened somewhat the strong position of the domestic consumers of silver. Apparently they have resumed buying, particularly as the business outlook has also improved.

Supplies of Secondary Silver

The future of silver prices is bound to depend, in the first place, upon the way in which the holders of secondary silver dispose of their holdings. Obviously, if they all rush to sell their metal at the same time, as happened last December, the price of silver is sure to fall. They stand to gain if they unload their metal in small quantities at a price just below the Treasury's buying price of 90.5 cents an ounce. By doing this, they will force American silver into the U. S. Treasury and thereby reduce the supply available to the consumers.

The largest holder of secondary silver on which the consumers (only the United States) could draw is, of course, the U. S. Treasury. As was mentioned earlier, the so-called free silver reserve is somewhat less than 100 million ounces at present. The next largest holder is undoubtedly Mexico. Its holdings are variously estimated at 60 to 80 million ounces and consist of some secondary metal (about 50 million ounces of silver turned in by the Mexican public in the Fall of 1945) and some newly-mined metal, kept off the market prior to the passage of the Martin Act in expectation of higher prices.

However, Mexico is probably quite anxious to sell its silver. It needs dollars to pay for its heavy imports from the United States. It was rumored last month at the time of President Truman's visit to Mexico that a deal in silver might be in the making. The U. S. Treasury was supposed to take over Mexico's silver holdings at its buying price of 90.5 cents. This would have given Mexico the maximum amount of dollars for its silver, and at the same time a substantial amount of extra silver hanging over the

market would have been removed.

The third largest holder of secondary silver is probably Spain. Originally it held some 600 million of silver peseta coin, equivalent to about 80 million ounces, but a part of this hoard has been recently disposed of in New York and London. Another reserve of silver, probably around 50 million ounces, is held by the Cuban Treasury as backing against silver certificates. These certificates could easily be replaced by gold certificates. The Island has now around $250 million of gold. However, it will probably take a considerable time before Cuba decides to do something about her silver, if anything at all.

Some secondary silver is also held in Iran and Central Europe. More important is Russian silver, which has been offered in surprisingly large quantities. The metal may be of German or other Continental origin. But it is also quite possible that Russian silver production increased with the expansion of non-ferrous mining during the war.

Once secondary supplies of silver are absorbed in one way or another, the position of silver should be quite strong. This is because new production is relatively small and likely to remain so. In 1946, the world output was around 150 million ounces as compared with some 260 million ounces mined annually in the pre-war years.

As in the case of gold, the sharp rise in silver production costs is the main reason why the new output is unlikely to expand materially, despite a much higher price. In Mexico, for example, the 45 cents rise in price (from 45 cents in September 1945 to 90 cents in July 1946) is reported to have been absorbed as follows: taxes 21 cents, wage increase 14 cents, and the management 10 cents. Out of the latter must be covered the cost of mining equipment and fuel, both of which increased substantially. Mexican output of silver averaged about 80 million ounces before the war. In 1946 it dropped to 46 million as a result of a wave of strikes. It is anticipated that about 55 million will be mined this year if there are no labor troubles.

Silver and Indian Independence

The second unknown quantity in the future of silver is India. How much silver will India absorb in the future? The 1946 silver absorption proved unexpectedly small, between 15 and 20 million ounces as against 40 million in 1945, but the Bombay trade believes that in 1947 there will be a market for 60 to 70 million ounces, if the price remains low.

It will be noted from the chart that the silver price in Bombay moves independently of New York or, for that matter, of other markets also. This is because it is guided by purely internal political and economic factors. For example, among the factors which contributed to the steady rise of silver up to the end of May 1945, when silver sold at the

equivalent of $1.61 an ounce, were (one) the increase in the duty on silver, and (two) a belief that the Indian Government would have to come to the market to buy silver in order to return the lend-leased metal. The break came when the U. S. Senate approved the U. S. loan to Britain. This was construed to be a prelude to heavier imports of silver from abroad. The announcement of the withdrawal of subsidiary silver from circulation had, of course, a depressing effect, because it meant that the Government would not be in the market for the purchase of silver to be returned under the lend-lease arrangement.

On the other hand, the announcement that the British would withdraw from India next June had a bullish effect on the silver market. The reason. Fear of a strife between the Hindus and the Moslems and of the subsequent financial chaos. Hence, the flight from the rupee into hard metal which, as the Indian people learned the hard way, always retains some value and can be easily buried somewhere in the backyard. The recent ban on silver imports has had also a bullish effect. It reduces the supply available.

A peaceful solution of the Hindu-Moslem strife would be, of course, bearish for silver. People would sell the metal and put money back into banks where they could get interest. Similarly, a downward turn of Indian prices would be bearish. This is because silver in India performs the function of savings; it will be spent for goods as they become available, or will be drawn upon as savings during a period of deflation.

The conclusion may well be that no one can be reasonably sure which way the Bombay silver price will turn or how much silver will be absorbed in India.

What About U. S. Silver Consumption?

The third major imponderable in the present silver situation is the size of U. S. silver consumption. A month or so ago it was estimated to have declined to about 80 to 90 million ounces, which still is more than the new production of foreign silver likely to be brought to this country (it is assumed that the new U. S. production goes to U. S. Treasury). Since the business outlook has improved somewhat, it is quite possible that silver consumption will follow suit. The well known bullion dealers, Handy & Harman, pointed out in their annual review that "some silver consuming lines are still far short of meeting the demand accumulated during the war."

Should our consumption increase, we could, without much trouble, absorb a considerable quantity of foreign secondary silver, provided that the price was just under 90 cents an ounce so that all domestic newly mined metal would be diverted into the Treasury.

For Profit and Income

(*Continued from page* 41)

For Others

But we know that for quite a few people the above suggestion is too "tame". Well, a medium-conservative speculation, of the business-man's-risk type, is a stock like National Lead, as much a leader in its field as the two above-mentioned stocks in theirs, but subject to wider cyclical swings in sales and earnings, and therefore in market price. Paint is the major item made. Demand is not likely to fall off much in the business recession, in view of long-deferred painting needs on old dwellings and other structures; and thereafter should hold at a generally high level for some years as adjusted costs permit new building to roll in high gear. The stock figures to decline moderately less than the industrial average, from here, in a soft market and has good bull-market potentials.

Movers

But how about some low-price stocks? (We can hear some of you say it.) All right. A few speculative issues to which this column is partial—since you demand that it be partial to some—are Armour & Company, Avco Cap., American Radiator and Houdaille-Hershey. And, among utility holding company stocks, American Power & Light, American Water Works, Columbia Gas & Electric and Niagara Hudson Power. Can they go down? They sure can—a lot more than average. But should the market continue to hold above the previous lows on further tests, these stocks would offer large possibilities, probably on the order of three to five times the percentage in the Dow industrial average. What? You want something under $5 a share? Go bet on the races or look up a raffle or get up a poker game with some convivial associates. We don't recommend it, mind you; but it has one merit. You don't kid yourself that you are doing anything but gambling, whereas to speculate is, or should be, to assume a calculated risk.

Answers To Inquiries

(*Continued from page* 42)

Cleveland Electric Illuminating Co.

I have a note from the North American Co. that they are offering their stockholders rights to purchase shares in the common stock of the Cleveland Electric Illuminating Co. at the rate of $15. per share for each 5 shares of the common stock of North American. My holdings would enable me to buy 20 shares, but I know nothing about Cleveland Electric Co. Is it worth buying? Or would I be better advised to sell the warrants? Will you kindly give me your opinion?

S.A., New York, N. Y.

Cleveland Electric Illuminating Co. generates and sells electricity in Cleveland and a number of other communities in northeastern Ohio.

Capital structure: Funded debt 1st 3s of 1970, amount outstanding $50,000,000. $4.50 cumulative preferred 254,989 shares and 2,324,564 shares of common stock outstanding.

Recent annual earnings were as follows: 1946, $2.55; 1945, $1.95; 1944, $2.05; 1943, $2.14; 1942, $2.14.

Consolidated balance sheet as of December 31st 1946 reported total current assets of $27,809,378, current and accrued liabilities $10,202,706, net current assets $17,606,672.

Annual dividend payment for years 1943 to 1946, inclusive, was $2.00 a common share, and in 1942 it was $2.25 a share.

Territory served is highly industrialized and 1947 earnings outlook continues favorable.

If you have the funds available for investment, we would recommend exercising the rights to purchase Cleveland Electric Illuminating Co. common stock, as this is a good quality utility operating company. If you do not have the cash available, then sell the rights immediately on receipt as they expire on May 27th 1947 at 3 P.M. and thereafter become worthless.

Hershey Chocolate Corp.

Please advise earnings, dividends and outlook for Hershey Chocolate Corp.

W.T., Lansing, Mich.

Net profit of Hershey Chocolate Corporation doubled for the year ended December 31, 1946 to $10.54 a common share from $5.26 a share of 1945. This company is the largest domestic producer of chocolate and cocoa products. Financial strength as of December 31, 1946 was reflected in total current assets of $33,196,264, including cash of $14,117,292, current liabilities of $8,917,735 leaving net current assets of $24,278,529.

Capitalization consists of 253,844 no-par convertible preferred shares and 685,749 no-par common shares outstanding.

The preference stock is entitled to cumulative dividends at the rate of $4 a share, plus an extra dividend of $1.00 per share in any year in which dividends are declared on the common stock. Preference stock is convertible share for share into common stock at any time.

Common stock dividends, paid regularly since 1930, have been at the rate of $3 a year since 1934 with 60 cents extra paid in 1936.

With more sugar available during 1947, demand for company's well entrenched brands, insures continued good earnings.

1947 Re-Appraisal of Chemical Industry

(*Continued from page* 15)

try is a buyer of some product from Monsanto, so that if business activity remains at current high levels through 1947, the company should do exceptionally well. Last year earnings were held to a moderate $2.37 per share because of seriously long strikes in its chief plant. Given a fair break in the current year, net earnings should turn sharply upward, for demand continues heavy and the company has raised many of its prices somewhat. But speculative enthusiasm seems to have lifted the price of the shares fairly high in discounting the improved outlook ahead. By the end of the year, however, the results may justify this optimism.

Dow Chemical Company is another concern with strong growth potentials. Some 500 different products are included in its output, thus winning it customers through most of the economy. In general, the company ranks as the largest producer of chlorine in the world, in all probability. About half of the company's volume for the fiscal year ended May 31, 1946, consisted of revenues from industrial and heavy chemicals, including phenolic compounds, caustic soda, chlorides, insecticides and dyes. Pharmaceuticals accounted for about 10% of total sales. Production of styrene in various special forms, and cellulose ethers enabled Dow to sell about $20 Million of plastics last fiscal year. Finally, agricultural chemicals and magnesium helped to round the picture. Not for about another month yet will Dow complete its current fiscal year, but interim reports indicate that volume and profits are showing consistent gains over the last fiscal year. Indeed, it is not unlikely that somewhere around $8 per share may be reported, and some optimists predict $9 will be shown. As the dividend rate quarterly has been steady at 75 cents per share, it looks as if better things may be in store for the

Interesting Circulars

FOR OUR READERS

☆ ☆ ☆

On request on your letterhead, but without obligation, any of the circulars listed below will be sent direct from the issuing firm. Limit each letter to a request for one circular, giving your name and address.

ADDRESS: Booklet Department—Magazine of Wall Street, 90 Broad Street, New York 4, N. Y.

Primer for Investors—Guide book for new investors to explain the terminology of Wall Street. Also a section devoted to estates, trusts and wills. Prepared by large N.Y.S.E. member firm.

Forging Ahead in Business—64-page booklet describing program of executive training will be sent free when requested on your Company's letterhead.

ANALYSIS of the stock of a Chemical Company in the atomic field. Issued by a brokerage house.

Tobacco Shares: Timely Survey of leading cigarette companies indicating preference. Issued by N.Y.S.E. member firm.

If you own any insurance or intend to, you will want to see this booklet issued by one of America's largest insurance companies.

common stockholders before long. As the shares are selling above 200, it should surprise no one if a split-up is eventually recommended by the directors.

The chemical industry is so vast in its dimensions and ramifications that in a discussion such as ours space precludes mention of more than a restricted group of concerns and only a fraction of the interesting products they are providing to mankind. So encouraging, too, has the vista become for the production of plastics, for instance, that many strong concerns not strictly in the chemical field have made a sizable entry. In conclusion, we will briefly discuss Celanese Corporation of America as a sample of expansion in this manner. This largest producer of cellulose acetate yarns in the United States naturally goes in for chemical experimentation on a large scale. Its "Fortisan" yarn, among other new developments, has won a high reputation for use in cord tires where high tensile strength is essential. But Celanese has gone far ahead in the production of chemicals, not only for its own use but for sale, and in the field of plastics it has become a very important factor. Sheets, rods and tubes, moulding powders and photographic films made from the same cellulose acetate used for its famous yarns, have substantially added to the company's revenues from plastics. Success in this direction has prompted Celanese to plan for tripling its output of Lumarith as a wrapping film for vegetables and is increasing its output of moulding powder by 150%. Because of expanding volume and stronger prices, per share earnings of Celanese have been trending higher, and the near and medium term outlook appears to have a bright tinge. Following a fairly recent 2½-1 split-up the shares have held rather closely around 20 and carry a good deal of speculative appeal for the long term.

Tackling Our Distribution Problem

(*Continued from page* 10)

2. Marketing-Minded Management — Within recent years, leading corporations have become conspicuously market - minded. Breaking away from the time-honored tradition of placing financial or administrative men in top positions, several corporations have appointed crack merchandising specialists as presidents — Lever Brothers placing Charles Luckman in its top spot, Sylvania Electric Products naming Don G. Mitchell, and Rexall electing Justin W. Dart. Significantly, each of these men is surprisingly young as corporate presidents go—averaging 40 years in age.

Equally important is the greater emphasis upon market analysis as an aid to more efficient distribution. In contrast with the frequently haphazard and "rule of thumb" methods previously followed, distribution planning has become a virtual science. Market analysts now devote themselves to determining sales potentials, analyzing market trends, assaying competition, studying regional shifts in markets, price structures, profit margins, discounts and trade channels.

To handle this all-important function, many organizations have set up, or enlarged, their market research departments, *which, in nearly every case report directly to top management.*

3. Intensive Sales Promotion — Realistic business enterprises are keenly aware that competition will become more intense in nearly all lines; in fact, the era of competition is already here now that we are shifting back into a "buyers' market" once again. Resistance to high prices is on the increase, and, still more important, there is definite insistence upon quality.

Further intensifying the struggle for the consumer's dollar is the fact that newcomers have appeared in practically every consumer industry, and while many of these will fall by the wayside when the fight begins in earnest, some nevertheless will survive and gain a lasting foothold, thus offering a threat to old-line operators.

To meet the more exacting market conditions, many corporations are drastically over-

hauling their sales departments and strengthening their dealer set-ups. The latter is particularly true of the auto and home accessory manufacturers. Sales staffs are being retrained, greater stress is being laid upon selection and placement of salesmen, sales territories are being reviewed and revamped, price structures are being scrutinized as never before, market areas are being pre-tested, and there is much closer coordination of sales and advertising.

Sales campaigns, which in the past were often the product of guesswork and inspired hopes, are now conducted with all the precision and determination of a major military campaign, complete with pin-dotted maps and staff conferences.

4. Integration As A Marketing Aid — American industry has always shown a marked tendency to branch out into new fields and greener pastures. This trend was evident for decades, but was given fresh impetus by the war, especially when it became realized that postwar market conditions would acutely hit some industries, notably the "war babies."

Very frequently, such diversification has been dictated by marketing strategy. In cases of *vertical* integration, the objective is to secure control of supply sources, manufacturing and distribution facilities in order to realize economies all along the line. Among the many examples of such integration are Standard Oil of N. J. in the petroleum field; Ford in automobiles and U. S. Steel in the steel industry.

Horizontal integration covers instances of companies diversifying their lines of products without necessarily securing supply sources, but here, too, the decision to enter new fields is usually based upon marketing considerations. In many cases, a new line of goods is added to absorb the overhead of existing manufacturing and distribution facilities, thus lowering over-all unit costs and reducing break-even points. Sometimes the new products are sold to the same market as the original line, or to closely allied markets in others, the diversification may mean a radical departure into distinctly different fields.

Among the many examples of companies diversifying *horizontally* are the leading meat packers — Armour, Swift, Cudahy and Wilson—whose by-products have opened new sources of profit and thus enabled them to sell meat more cheaply. The article on page 30, "What's In a Name?" treats many other firms diversifying their products.

5. Closer Cost Control — One on the chief defects in distribution in many organizations has been the lack of adequate cost analysis, the result being that the exact selling costs have not been determinable. However, here, too, there is a marked trend toward greater precision and efficiency, which the Department of Commerce has done much to accelerate with its special studies on the subject.

There is also increased emphasis upon "selective selling," the theory being that merchandising should concentrate upon the accounts or groups of customers yielding the highest return of sales volume, thus reducing per unit distributing expense.

6. More Efficient Plant Location and Transportation — In the effort to attain lower costs and more efficient production and distribution, there has been a considerable relocation of plants and outlets. Here is where many managerial factors enter the picture, for factories must be located with due consideration for transportation, access to raw materials, availability of labor supply, power sources, local tax considerations, and other vital economic factors. In some cases, relocation has affected whole industries, as, for example, textiles, paper pulp, shoes and certain chemicals. In February, we had a comprehensive article on this subject.

Closely akin to plant relocation is the policy of devising more efficient economical transportation and material handling. In one branch of the chemical industry alone, it was found that 17% of the tonnage of one product was hauled further than necessary, on others excess haulage was 24% and 30%.

Various mechanical devices are being developed for more efficient loading and haulage of merchandise, such as freight containers, conveyor systems, and special loading trucks. Better coordination of train-and-truck transport is also being constantly studied.

7. Improving the Mechanics of Merchandising — While most of the emphasis thus far has been on the broad policies affecting marketing, there is a great deal of change in the actual mechanics of trade. Packaging has "come of age" not only as an art, but as a practical science, and marketing officials have become increasingly appreciative of the appeal value of well-packaged wares, as well as its purely functional merits.

The art of display has also been a matter of much research, with resultant improvement in many respects. The space in the retailer's shop window or display shelves is valuable, and the competition for it is keen.

Immediate Problems to Be Tackled — Thus, all along the broad front of American enterprise, a revolution in marketing is taking place. But this is only the beginning, for the trend will continue well into the future, as, indeed, it must if distribution is to keep apace of our technological progress.

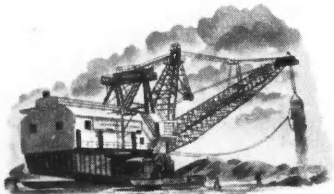
What are some of the chief problems facing marketing men at this time? Out of the many major problems, the following are considered the most urgent: 1. *The need to bring prices down to the mass market level.* 2. *The need for keeping turnover high and merchandise moving so that the pipelines of trade will be filled and flowing.* 3. *The need for maintaining high quality of merchandise, especially now that a buyers' market is well on its way,* and 4. *The need for effective coordination of sales with credit and inventory controls.* If these conditions are realized, a recession can be avoided or mitigated, and prosperity hastened.

Cumulative Index to Volume 79

Pages 1 to 60, inclusive, October 12, 1946
Pages 61 to 116, inclusive, October 26, 1946
Pages 117 to 172, inclusive, Nov'b'r 9, 1946
Pages 173 to 228, inclusive, Nov'b'r 23, 1946
Pages 229 to 284, inclusive, Dec'b'r 7, 1946
Pages 285 to 340, inclusive, Dec'b'r 21, 1946
Pages 341 to 396, inclusive, Janu'y 4, 1947
Pages 397 to 464, inclusive, Janu'y 18, 1947
Pages 465 to 524, inclusive, Feb'r'y 1, 1947
Pages 525 to 584, inclusive, Feb'r'y 15, 1947
Pages 585 to 644, inclusive, March 1, 1947
Pages 645 to 708, inclusive, March 15, 1947
Pages 709 to 768, inclusive, March 29, 1947

FLORIDA . . . The Sunshine State

Famed for its beauty and prosperity, is the world's largest producer of PHOSPHATE



Beautiful Florida, with its golden climate, spectacular scenery, picturesque history and attractive modern cities, captivates millions of vacationists each year and inspires in its citizens a deep loyalty for their Sunshine State.

Florida is enormously proud, too, of its achievements as producer and supplier of a great wealth of agricultural products, manufactured goods and raw materials . . . including Phosphate Rock, source of the rich phosphates that are essential to all life. Millions of tons of these phosphates, one of Florida's greatest treasures, are used each year throughout the United States and foreign markets in industrial chemicals and in the plant foods required for large yields of quality crops. To meet rapidly increasing world-wide demands, International, largest miner of Phosphate Rock in America, is now producing more phosphates than ever before at its Florida mines.

International salutes Florida where it launched its first phosphate mining operations in 1909. Today International's mines and manufacturing plants in twenty-one states are producing many essential minerals and chemicals which contribute importantly to the health, comfort and pleasure of all our people.

International
MINERALS & CHEMICAL CORPORATION

GENERAL OFFICES: 20 NORTH WACKER DRIVE, CHICAGO 6


This Schenley whiskey, millions say
Brings Sunny Morning Taste your way
SCHENLEY
RESERVE

R

it
e
d

N. Y. C.